

EXHIBIT 17



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A Survey of Dispensing and Estimated Acquisition Costs of Pharmaceuticals in the State of Wyoming

Prepared for the

*Wyoming Department of Health
Division of Health Care Financing*

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Chapter

1

Executive Summary

Introduction

Under contract to the Wyoming Division of Health Care Financing, Myers and Stauffer performed a study of the cost of dispensing prescription medications in the state of Wyoming. Components of this study included:

- A pharmacy dispensing cost survey.
- An estimated acquisition costs study.

The dispensing cost study used a proven cost survey instrument similar to that used by Myers and Stauffer in Medicaid pharmacy engagements in fourteen other states. One hundred twenty two (122) Wyoming pharmacy providers enrolled in the Medicaid program were surveyed; 56 filed usable dispensing cost surveys. All filed dispensing cost surveys were subjected to extensive desk review procedures. Ten (10) pharmacies were selected for on-site field examinations to validate reported costs.

Drug acquisition cost comparisons were compiled and analyzed for the 400 drug products most commonly used by Wyoming Medicaid recipients. Drug acquisition costs were measured by comparing actual acquisition cost data shown on invoices obtained from a sample of 15 responding (39 were surveyed) Wyoming pharmacy providers to standardized AWP (average wholesale price) pricing data. For drugs with a federal upper limit, actual acquisition costs were also compared to the Federal MAC (maximum allowable cost) price.

Numerous supporting documents are included with this report. In general, schedules refer to computer printouts, tables refer to summary data and exhibits refer to other supporting documents.

Summary of Findings

The significant findings of the study are as follows:

Dispensing Cost

- Average cost per prescription weighted by prescriptions and inflated to December 31, 1998, is \$5.38.

- No association was found between dispensing cost and unit-dose packaging, or other measures of long term care dispensing activity.
- No significant difference was found between the costs of urban versus rural pharmacies.
- No significant difference was found between the costs of independent and chain pharmacies.
- The one responding pharmacy dispensing only intravenous (IV) solutions had dispensing costs per prescription that were considerably higher than other pharmacies. These costs associated with IV services were found not to be representative of the costs that are incurred by most retail pharmacies dispensing to outpatient and long term care facility patients.

Acquisition Cost

- The average actual drug acquisition costs were considerably less than the Department's current ingredient cost allowance of AWP minus 4%. Excluding multi source drugs and drugs with a federal MAC price, actual acquisition costs for most drugs ranged between 80% and 86% of the AWP.
- When weighted by Medicaid volume, the average acquisition cost for all brand non-MAC drugs was 82.96 % of AWP or AWP less 17.04%.
- The weighted acquisition costs for MAC drugs exhibited much greater variation, but averaged 26.62% of AWP, or 51.56% of the MAC prices.
- Very few of the drugs included in the study were purchased directly from manufacturers.

Recommendations

The current variable dispensing fee system for non-MAC drugs has resulted in significantly higher dispensing fees than anticipated when it was instituted in 1990. This is due to relatively large increases in average wholesale price (AWP), which in turn raises the dispensing fee paid for these drugs.

Our recommendation for the state of Wyoming to pursue at this time is implementation of a uniform statewide dispensing fee system that is not dependent on AWP.

The average dispensing cost weighted by total prescriptions and adjusted to December 31, 1999, is \$5.47. Myers and Stauffer recommends adding \$.50 to allow for profit to this average cost, resulting in a dispensing fee of \$5.97.

The average discount off AWP for the brand drugs sampled in the EAC survey was 17.2%. The use of a reimbursement methodology between AWP - 11% and AWP - 12% would allow a reasonable profit on the ingredient portion for most drugs dispensed. This would also allow for the cost of out-of-date drugs, and would recognize the fact that some drugs may be purchased at a lower discount.

Chapter

2

Dispensing Cost Survey**Historical Background**

One of the motivating factors for the study is the federal regulations at 42 CFR 447.331 through 447.333, which state that agencies must establish a reasonable dispensing fee for providers of pharmaceutical products under the Title XIX Medicaid program. Dispensing cost studies such as the one documented herein have been acknowledged by the federal Health Care Financing Administration (HCFA) as an appropriate basis for the establishment of a Medicaid dispensing fee.

Current Situation

Wyoming currently reimburses prescription drugs using the following methodology:

Table 2.1 Wyoming Medicaid Pharmacy Reimbursement

Type of Drug	Dispensing Fee	Ingredient Reimbursement
Non-MAC	$\$4.70 + .07(\text{AWP})$	AWP – 11 percent
MAC	$\$4.70$	MAC

This reimbursement methodology is termed a “variable dispensing fee” method, since a portion of the fee varies in relation to the cost of the products being dispensed. It has been in effect since 1991. The average ingredient cost determined during the 1990 dispensing fee survey was \$16.73. In ensuing years, ingredient cost has increased substantially due to the introduction of newer and better drugs, changes in method of administering the drugs, and inflationary price increases. The average ingredient cost determined by the Wyoming Medicaid during May through October of 1998 was \$36.48. It would have been difficult to foresee that the ingredient cost of an average prescription would increase approximately \$20 in eight years.

The net result of the variable dispensing fee reimbursement formula has been a significant increase in the dispensing fee paid for non-MAC drugs. As will be

detailed later in the report, this contrasts sharply with the much slower rise in the cost to dispense prescriptions in Wyoming.

Methodology of the Survey

Survey Population

The Wyoming Department of Health provided Myers and Stauffer with a list of in-state pharmacy providers currently enrolled in the Medicaid program. Of the 122 pharmacies receiving cost surveys, 74 were independent pharmacies and 48 were chain pharmacies.

Mailing Procedures

Survey forms were mailed on September 21, 1998, and September 24, 1998, to pharmacy providers currently enrolled in the Medicaid program. Each pharmacy received one copy of the cost survey, a list of instructions, a letter of explanation from Myers and Stauffer (Exhibit 1), a letter of introduction from the State of Wyoming (Exhibit 2), and a business reply envelope.

Survey Participation

Of the 122 surveyed pharmacies, 15 pharmacies were determined to be ineligible to participate. Providers were deemed ineligible if they had closed their pharmacy, had a change of ownership, had dispensed less than 250 Medicaid prescriptions, or had less than six months of cost data available. The final number of pharmacies eligible to file was 107.

Concerted efforts to encourage maximum participation were made by various parties concerned with the success of the survey. An official letter (Exhibit 2) explaining the purpose of the study was sent to the sampled pharmacy providers by the Wyoming Department of Health. The cost survey forms and instructions and the letter of explanation offered pharmacy owners the option of having Myers and Stauffer complete certain sections of the survey form if copies of financial statements and/or tax returns were supplied. A toll-free telephone number was listed on the survey form, and pharmacists were urged to call to resolve any questions they had concerning completion of the survey form. These and other efforts that were made to encourage participation are summarized in Exhibit 3.

By the original filing deadline of October 12, 1998, five cost surveys had been received. All pharmacies that had not responded by that deadline were sent a letter extending the original deadline to October 26, 1998 (Exhibit 4).

By October 26, 1998, 34 pharmacies had submitted cost surveys. In order to maximize the response rate, 22 additional cost surveys were accepted after the extended deadline. A majority of the original reports contained errors on a variety

of items. Although numerous attempts were made to elicit sufficient information to complete the surveys, two surveys were found to be substantially incomplete and, therefore, unusable. In addition, one survey filed by a provider filling only IV therapy prescriptions was not used, as the data was not representative of the retail pharmacy population.

The following table summarizes the cost reports, which were received and included in our analysis.

Table 2.2 Pharmacies Responding to Cost Survey

Type of Pharmacies	Number of Pharmacies	Complete and Usable Cost Reports Received	Pharmacies Considered Exempt	Response Rate
Chain	48	28	10	74%
Independent	74	28	5	41%
TOTAL	122	56	15	52%

Data regarding technical tests of possible bias is presented below. It is unlikely that either the responding or the non-responding pharmacies had any knowledge as to whether the costs (as defined herein) of their particular pharmacy operations are either above or below sample means. Therefore, intentional bias within the responding sample is unlikely.

Reporting Bias

Since the response rate of the surveyed pharmacies was less than 100 percent, the possibility of bias in the responding sample should be considered. To measure the likelihood of this possible bias, a chi square (χ^2) test was performed. This test was used to determine whether the self-reported sample (filers versus non-filers) was independent with respect to chains versus non-chains (i.e. independents). Throughout this report, the term "independent pharmacies" will include chains with less than FIVE individual pharmacies.

Sample data was received from 28 chain pharmacies (or 74 percent of all chain pharmacies), representing five chains. Surveys for 28 (or 41 percent) of the non-chains eligible to file, did file usable cost surveys.

The *null* hypothesis is:

The decision to file is independent of belonging to a chain organization.

The *alternative* hypothesis becomes:

The decision to file is not independent of belonging to a chain organization.

Because of the χ^2 test, the null hypothesis can be rejected at the five percent level of significance. Therefore, it can be concluded that the decision to file is not independent of belonging to a chain organization. As there is a bias in the response rate, further analysis must be performed to determine whether there is a difference in costs of these two provider categories.

Receipt and Review Procedures

For confidentiality purposes, each pharmacy was randomly assigned a four-digit identification number. Upon receipt, each cost survey was recorded as received and then carefully examined. This review identified cost surveys considered incomplete, and pharmacies submitting these cost surveys were sent a "Request for Additional Information" form specifying the information necessary for completion (Exhibit 5). Those pharmacies not responding to the request for additional information were sent a second request for additional information. Pharmacies not responding to this second request for additional information were contacted by telephone.

Field Examination Procedures

Ten of the 122 pharmacies eligible to file cost surveys were selected for field examination. The selection was primarily random, but geographic location and unit dose dispensing were taken into consideration to ensure examination of representative pharmacies. A letter (Exhibit 6) was sent to each selected pharmacy explaining the selection process, the time period during which the field examination would take place, and the necessary data to have available. Each pharmacy was then contacted by telephone for further explanation of the field examination and confirmation of the time and date. An examination file was prepared for each of the 10 pharmacies containing a uniform field examination program (Exhibit 7), a copy of the completed reviewed cost survey, and other necessary work papers. Field examinations were conducted during the period November 9 through November 13, 1998. Some of the cities in which field examinations were conducted included Casper, Cheyenne, Glenrock, Riverton, Sheridan, Thermopolis and Torrington.

Following the actual visit to the pharmacy, the work papers were completed by making a second examination of each file to ensure that all necessary information had been obtained. A follow-up letter was sent to each pharmacy visited, expressing appreciation for the time and cooperation of pharmacy personnel (Exhibit 9). The project manager then reviewed the work paper file for quality assurance. Results of the 10 field examinations showed no significant bias in overstating or understating costs reported on the cost survey (Exhibit 8).

Cost Finding Procedures

Cost finding is the process of recasting cost data using rules or formulas in order to accomplish an objective. In this study, the objective is to estimate the cost of dispensing prescriptions. The cost finding rules employed are described in the following sections.

Overhead Costs

Overhead cost per prescription was calculated by summing the allocated overhead of each pharmacy and dividing this sum by the number of prescriptions dispensed. Overhead expenses originally reported for the entire pharmacy were allocated to the prescription department based on either:

- The sales ratio (prescription sales / total sales),
- The area ratio (prescription department floor space (in square feet) / total floor space),
- All (100%), or
- None.

Overhead costs that were considered *entirely prescription-related* include:

- Prescription department fees.
- Dues and publications.
- Prescription delivery expense.
- Prescription computer expense.
- Prescription containers and labels.
- Certain other expenses that were separately identified on lines 27-29¹.

Overhead costs that were *not allocated as a prescription expense* include:

- Income taxes².
- Bad debts³.

¹ Expenses that were considered entirely prescription-related were transferred to Line 28. One example is continuing professional education for a pharmacist.

² Income taxes are not considered an operational cost because they are based upon the profit of the pharmacy operation. Although a separate line was provided for the state income taxes of corporate filers, it was not allowed as a prescription cost in order to afford equal treatment to each pharmacy, regardless of the type of ownership.

³ Bad debts were not considered a prescription-related expense since they are revenue offsets arising through an accrual recognition of revenues which are later found to be not collectible. Disallowing this expense also afforded equal treatment to providers, irrespective of their method of accounting.

- Advertising.
- Contributions⁴.

Certain costs reported on Lines 27, 28, and 29 were occasionally excluded. An example is freight expense, which usually relates only to nonprescription purchases or cost of goods sold.

The remainder of the costs was assumed to be related to *both prescription and nonprescription sales*. Joint cost allocation is necessary to avoid understating or overstating the cost of filling a prescription.

Those overhead costs allocated on the ratio of the *floor space* (as previously defined) include:

- Depreciation.
- Real estate taxes.
- Rent.
- Repairs.
- Utilities.

The costs in these categories were considered a function of floor space. For example, the larger the facility, the higher the rent, if other factors are considered equal. The floor space ratio was increased by 50 percent from that reported on the original cost report to allow for waiting area for patients and prescription department office area. The resulting ratio was adjusted downward, when necessary, not to exceed the sales ratio (in order to avoid allocating 100% of these costs in the rare instance where the prescription department occupies the majority of the area of the store).

Overhead costs allocated using the *sales ratio* include:

- Personal property taxes.
- Other taxes.
- Insurance.
- Interest.
- Accounting and legal fees.
- Telephone and supplies.

⁴ Individual proprietors and partners are not allowed to deduct contributions as a business expense for federal income tax purposes. Any contributions made by their business are deducted along with personal contributions as itemized deductions. However, corporations are allowed to deduct contributions as a business expense for federal income tax purposes. Thus, while Line 19 on the cost report recorded the business contributions of a corporation, none of these costs were allocated as a prescription expense. This, again, afforded equal treatment for each type of ownership.

Labor Costs

Labor costs are calculated by allocating total salaries, payroll taxes, and benefits based on the percent of time spent in the prescription department. The allocations for each labor category were summed and then divided by the number of prescriptions dispensed to calculate labor cost per prescription. There are various classifications of salaries and wages requested on the cost report (Lines 31-44) due to the different cost treatment given to each labor classification.

The total salaries, payroll taxes, and benefits of employee pharmacists (Lines 34-38) were multiplied by a factor based upon the percent of prescription time. Although some employee pharmacists spent a portion of their time performing nonprescription duties, it was assumed that their economic productivity when performing nonprescription functions was less than their productivity when performing prescription duties. Therefore, a higher percentage of salaries, payroll taxes, and benefits was allocated to prescription labor costs than would have been if a simple percent of time allocation was utilized. Specifically, the percent of prescription time indicated was multiplied by two and divided by the percent of prescription time plus one.

An Example:

An employee pharmacist spends 90 percent of their time in the prescription department. The 90 percent factor would be modified to 95 percent:

$$[(2) (.9) / (1 + .9)]$$

Thus, 95 percent of the reported salaries, payroll taxes, and benefits would be allocated to the prescription department. It should be noted that most employee pharmacists spent 100 percent of their time in the prescription department.

The allocation of salaries, payroll taxes, and benefits for all other prescription employees (Lines 39-43) was based directly upon the percentage of time spent in the prescription department as indicated on the individual cost report. For example, if the reported percentage of prescription time was 75 percent and total salaries were \$10,000, then the allocated prescription cost would be \$7,500.

Owner Compensation Issues

The allocation of salaries, payroll taxes, and benefits of the owner pharmacists (Lines 31-33) was based upon the same modified percentage as that used for employee pharmacists. However, limitations were placed upon the allocated salaries, payroll taxes, and benefits of owner pharmacists. Since amounts shown for owner pharmacists are not historical costs that have arisen from arm's length negotiations, they are not similar to other costs. A pharmacy owner has a different attitude toward utility expenses than toward his/her own salary. Owner pharmacists who take an active part in the operation of the pharmacy provide productive input to the operation of the pharmacy. If they were not performing pharmacist duties, they would have to employ other pharmacists to accomplish those duties.

Another factor considered in determining the allocation of owner's salaries was the variability in productivity. For example, one owner pharmacist may dispense 30,000 prescriptions per year while another may dispense 5,000. Those owner pharmacists who dispensed a greater number of prescriptions were allowed a higher salary than were owner pharmacists who dispensed a smaller number of prescriptions. Since variance is not nearly as great with respect to employee pharmacists, the owner pharmacist's salary was subjected to limits based upon employee pharmacists' salaries per prescription.

Determining Owner Compensation Allowances

To estimate the cost that would have been incurred had an employee been hired to perform the prescription-related functions actually performed by the owner, a bivariate plot technique was used. A bivariate plot shows the correlation between an independent (predictor) variable and a dependent (predicted) variable. The upper and lower limits on owner pharmacist salary were determined from a bivariate regression plot (Exhibit 15-D)⁵. The resulting regression equation to predict pharmacist labor cost per prescription is:

$$\text{Labor cost per prescription} = \$2.24 \times (\text{number of prescriptions dispensed}) + 9,021$$

This equation was used as a lower limit for allocating owner pharmacist costs. Adding one standard deviation (\$11,675) to the above equation set the upper limit. An additional constraint is \$70,000 maximum annual salary. Thus, the amount of owner's salary allocated to prescription costs was limited to \$2.24 times the number of prescriptions dispensed by the owner⁶ plus \$20,696, not to exceed \$70,000.

There is no reason to believe that managerial or clerical duties performed by the nonpharmacist owners were more valuable to the prescription dispensing function than for other functions. As with other owners, the amount shown for salaries, payroll taxes, and benefits was not a result of arm's length negotiations. Therefore, an upper limit of \$20,000 and a lower limit of \$10,000 were placed upon these prescription costs. These limits were chosen based on experience in prior surveys. No adjustment was made to the percentage of prescription time factor for owner nonpharmacists (Lines 31-33).

⁵ Employee pharmacist salary per prescription was used to set limitations on owner pharmacist salary estimates due to the "arm's length" nature and lack of variance in employee productivity compared with owner productivity. Prescriptions dispensed served as a factor in determining owner salary allowances. Prescriptions dispensed also served as a factor in determining owner salary allowances.

⁶ The number of prescriptions filled by the owner pharmacist was determined by multiplying the percent of owner-filled prescriptions (Lines 31-33 of the cost report) by the total number of prescriptions dispensed (Line j).

Overall Labor Cost Constraints

An overall constraint was placed on the proportion of total reported labor that could be allocated as prescription labor. The constraint assumes that a functional relationship exists between the proportion of allocated prescription labor to total labor and the proportion of prescription sales to total sales. It is also assumed that a higher input of labor costs is necessary to generate prescription sales than nonprescription sales, within limits.

The parameters of the applied labor constraint are based upon an examination of data submitted by all pharmacies. These parameters are set in such a way that any resulting adjustment affects only those pharmacies with a percentage of prescription labor deemed unreasonable. For instance, the constraint would come into play for an operation that reported 75 percent pharmacy sales and 100 percent pharmacy labor (Obviously, some labor must be devoted to generating the 25 percent nonprescription sales).

To determine the maximum percentage of total labor allowed, the following calculation was made:

$$[(0.3) (\text{sales ratio})] / [0.1 + [(0.2) (\text{sales ratio})]].$$

Details of the percentage of applied labor constraint are shown in Exhibit 11.

Inflation Factors

All allocated costs for overhead and labor were totaled and multiplied by an inflation factor. Inflation factors are intended to reflect cost changes from the middle of the reporting period of a particular pharmacy to December 31, 1998. The midpoint and terminal month indices used were taken from the U. S. Government Consumer Price Index (see Exhibit 12).

Due to the timing of the survey, historical costs have been projected for approximately 18 months. Due to changes in pharmacy operations and other factors, inflationary adjustments to historical costs are only valid for a limited time.

Prior experience suggests that a fairly high correlation exists between the overall CPI Index and changes in pharmacy dispensing costs, providing justification for employing this index. There appears to be a firm control of overhead costs even when operating under a cost-related reimbursement system such as Medicaid.

Net Margin Factor

Net margin (or profit) is an important factor to consider in setting a reimbursement rate for pharmacy providers. It can be included in the professional fee, in the ingredient reimbursement, or in both factors. Myers and Stauffer did not calculate

a profit factor during this survey. However, the state could provide for profit in its reimbursement for the ingredient cost of drugs. As an example, in setting the ingredient cost reimbursement, the state could allow a profit in the following manner:

By setting reimbursement at AWP-12%, a profit of 5% of AWP of each drug would be allowed (estimated acquisition cost is AWP – 17% for brand, non-MAC drugs). The profit could be more on multi-source and even MAC-priced drugs as the discount reported on MAC drugs was 30% of AWP.

Another option is to include a profit in the professional fee. The state could set the profit factor to be a certain amount for each prescription. The amount may be based on third party profit margins. This is one of several ways to estimate Title XIX profit margins. Ultimately, however, the level of Medicaid profit to build into pharmacy reimbursement formula is an agency policy decision.

Analysis

Several analyses were conducted to identify potential correlation between pharmacy dispensing cost and certain pharmacy traits, known as independent variables. These traits included:

- Prescription sales volume.
- Prescription sales ratio.
- Type of location.
- Total floor space.
- Unit dose delivery systems.
- Long term care facility services.
- Delivery service.
- Level and percent of Medicaid volume.
- Type of ownership.
- Pharmacy building ownership.
- Geographic location.
- Provision of IV or infusion therapy services.
- Hours open.

Predictive Value: An example

Step 1. Assume the following simplified formula resulted from a stepwise regression.

$$\text{TCRx} = \$3.00 - (.02) (\text{Rx volume in 1,000's})$$

Now, assume there is only one large hospital pharmacy in the sample. This pharmacy dispenses 250,000 prescriptions per year, and has a dispensing cost of \$1.00 per prescription. The predicted cost at this step for the hospital pharmacy would be:

$$\$3.00 - (.02) (250) = \$ -2.00$$

The reason that negative costs would be predicted is that the *linearity assumption is not valid for extreme cases*.

Step 2. The next variable to enter is a variable designating the hospital pharmacy. The resulting formula is:

$$\text{TCRx} = \$3.30 - (.05) (\text{Rx volume in 1,000's}) + (10.20)$$

The predicted cost would be:

$$\text{TCRx} = \$3.30 - (.05) (250) + (10.20) (1) = \$1.00$$

The coefficient of \$10.20 for hospital pharmacies is not an indication that hospital pharmacies have costs \$10.20 higher than other pharmacies. It is just an adjustment to the predictive equation *based upon an interrelationship with the other variables in the equation*.

- Length of operation at location.
- Percent of prescriptions dispensed paid by third party payers.
- Type of affiliation.

The relationships between these traits and others were analyzed using a linear regression program. In this particular regression analysis, a predictor set of variables was tested to determine a predictive equation for each of nine dependent variables (see Exhibit 14). Major emphasis was placed upon adjusted (inflated) prescription costs and adjusted cost per prescription.

Overview of Regression Analysis

Multiple regression is a statistical technique that is used to identify a predictive equation for specified dependent variables. Typically, certain predictor (independent) variables will account for a sufficient portion of the variability in pharmacy dispensing costs (the dependent variable) so as to make prediction of pharmacy costs both easy and accurate.

Checking for Potential Errors

Errors in the data obscure the true relationship among variables. Of course, in a sample of this size, there is considerable opportunity for errors. To the extent these errors are small, then it can be assumed their effects will be immaterial. If they are large, however, they may be of sufficient consequence to affect some of the parameters of the regression equation.

An attempt was made to identify large errors by first performing a stepwise multiple regression analysis for two dependent variables (cost per prescription and total prescription costs). This procedure selects variables in descending order based on which variable accounts for the most remaining variability in the dependent variable⁷.

Once the predictive equations were derived, they were used to obtain predicted values for the dependent measures. These predicted values were compared with actual values and the amount of deviation was noted. Those cases that deviated more than two standard error units were then checked for accuracy. While this method will not identify all errors, it does identify major ones.

Predictive Equations as a Basis for Fees

By definition, the average (mean) of the predicted costs of the regression equation will be equal to the unadjusted mean of the costs of the individual pharmacies.

The predictive equation will be a reliable estimator of costs only if used as specified in Schedule 1. Combinations of variables cannot be selected from

⁷ Significance of contribution is determined by an F-test on the variance accounted for by each predictor.

several sources and still be expected to result in a reliable predictive equation. The coefficients associated with each of the predictor variables do not necessarily have a causal relationship to costs; they are correlated with cost and perhaps indicative of some other underlying trait. Although intuitive logic can be employed to assess the coefficients of many of the predictor variables, the equation should be looked upon only as a combination of variables that best predicts costs. This is an important point to bear in mind in assessing the regression results, and is illustrated in the accompanying example.

Communication of Findings

The results of the dispensing cost analysis are contained in the various schedules, tables, and exhibits included in this report. The standard mean (unweighted), mean weighted by total prescriptions, and the mean weighted by Medicaid prescriptions are shown at the bottom of most tables.

Much of the data collected is summarized in Tables 1 through 8 found behind the tab marked "Tables" at the end of the report. These tables summarize various means and/or percentiles. The overall averages are displayed as follows, as well as in Table 1.

Table 2.3
Mean Weighted Cost Per Prescription
Reporting Pharmacies
Inflated through December 31, 1998

Cost	Mean
Labor	\$4.02
Overhead	\$1.35
Total Cost per Prescription	\$5.38

Responding pharmacies were categorized into various groups of interest. Findings of note are described in the paragraphs below:

- The average cost per prescription weighted by prescriptions and adjusted to December 31, 1998 is \$5.38.
- The weighted mean of total cost per prescription for pharmacies with prescription volume of 20,001 to 30,000 was \$6.29. For pharmacies with prescription volume over 40,000, the cost was \$5.05 (Table 2).
- Costs associated with unit dose prescriptions are representative of the costs that are incurred by retail pharmacies dispensing in an outpatient setting in Wyoming. As shown in Table 6, the average cost per prescription weighted by total prescriptions and adjusted to December 31, 1998 is \$5.48 for providers dispensing unit dose prescriptions and is \$5.32 for all other providers. The difference is not significant.

- There is no significant difference in dispensing costs between urban and rural providers (see Table 5). The mean cost per prescription weighted by total prescriptions and adjusted to December 31, 1998, is \$5.15 for urban providers and \$5.48 for rural providers. See Exhibit 16 for a list of locations classified as urban.
- There is no significant difference between the costs of chain and independent pharmacies included in our sample. As shown in Table 4, the average cost per prescription weighted by total prescriptions and adjusted to December 31, 1998 is \$5.48 for independent providers and \$5.30 for chain providers.
- Average weighted cost per prescription for Wyoming pharmacies is higher than that recently calculated for another state. One of the primary reasons for the difference is the volume of prescriptions dispensed. Prescription department costs are highly correlated with the number of prescriptions dispensed, i.e., a significant amount of the costs can be attributed to the volume of prescriptions dispensed. The average number of prescriptions dispensed by the responding providers in Wyoming per schedule D is 41,500. In a recent survey conducted by us, we calculated the average prescription volume to be 61,000. There are a certain amount of fixed costs for any retail business. When the number of products sold is lower, i.e. prescriptions, the fixed cost of each product is higher. This is a partial explanation for the difference in costs from state to state.

Summarized results of the stepwise regression analysis are shown in Tables 8-A and 8-B. Bivariate plots for certain dependent and independent variables are shown in Exhibits 15-A through 15-J. All results of the regression analyses are detailed in Schedule F.

Unit Dose Dispensing

Responding providers who dispensed unit dose prescriptions were surveyed (a copy of the questionnaire is shown as Exhibit 24). Unit dose providers are somewhat varied in the services they provide. The results of the survey regarding unit dose prescriptions are as follows:

- Fourteen providers responded to question 1. One pharmacy (7%) serviced six long term care facilities (five were group homes), one (7%) serviced four (two were assisted care), one (7%) serviced three, three pharmacies (21%) serviced two long term care facilities, and eight providers (57%) serviced only one long term care facility.
- Eight providers provided consultation services to long term care facilities (5 were group homes).
- The number of long term care patients receiving services from a provider varied from 3 to 200.
- In addition to long term care facilities, unit dose prescriptions were provided to a jail, group homes, assisted living homes, and home-bound individuals.

Dispensing Fee Alternatives

A central component of this study is to determine the cost of filling a prescription in the state of Wyoming. Two alternatives for setting professional pharmacy fees, and their respective advantages and disadvantages, are explained in the following sections.

Single Statewide Fee

If one statewide uniform fee is set using the cost survey results, there are a number of options with respect to percentiles, methods of calculating means, and other factors. Various mean calculations are described in the accompanying box.

Statistically, the best estimate of the overall average total cost of filling a prescription is the weighted mean. The weighted mean adjusted to December 1998 is \$5.38 (Table 1). *This is the appropriate figure to use if a single statewide fee is selected.*

Advantages: The advantages to adopting one statewide fee include *simplicity and equality of treatment*. No additional data must be obtained to set such a fee, and all providers readily understand it. Since all receive the same fee, *inefficiency is not rewarded* as it might be, for example, in using a variable fee system. It is also *easy to update* such a fee since only one calculation for inflation or other changing economic circumstances will be required.

A single statewide fee also addresses the current incongruent relationship between dispensing cost and reimbursement.

Disadvantages: The chief disadvantage is that no consideration is given to pharmacies regarding the nature and expense of the services they offer. For example, a pharmacy offering free, 24-hour delivery service receives the same reimbursement as one not providing delivery service.

Provider-Specific Fees

Another alternative is to assign an individual fee to each pharmacy based upon cost data submitted by that pharmacy. Under an individual fee system, the average total costs lose much of their significance as far as the individual pharmacy is concerned. However, for budgeting purposes, the Department of Health would still be concerned with the average of all the individual pharmacies' cost per prescription. Table 1 indicates the average total cost per prescription

Different Means:

Unweighted mean: simply the average cost for each pharmacy.

Weighted mean: the average cost of all prescriptions dispensed by pharmacies included in the sample, weighted by total prescription volume. This implies that low volume pharmacies have a smaller impact on the weighted average than high volume pharmacies. This approach, in effect, sums all costs in the sample and divides that sum by the total of all prescriptions in the sample.

Medicaid weighted mean: the average cost of filling a prescription using the number of Medicaid prescriptions as the weighting factor.

weighted by Medicaid prescriptions and adjusted for inflation is \$5.47. Variable fees weighted by individual Medicaid volume provide a reliable predictor of average dispensing costs paid under the Medicaid program when utilizing a provider-specific fee system.

Advantages: The only advantage of the provider-specific fee system is that reimbursement rates are responsive to individual differences in cost. Pharmacies are neither overpaid nor underpaid with respect to their costs. Thus, this alternative adequately reimburses a pharmacy for any services it provides.

Disadvantages: While all cost data has been closely examined, there still exist operations where costs per prescription are unusually high. New operations, those dispensing a small number of prescriptions, and inefficient operations primarily account for the high costs per prescription. To avoid paying unreasonably high dispensing fees to a few individual pharmacies, upper limits can be placed upon labor, overhead, and total cost per prescription. In many reimbursement programs, these limits are expressed in terms of percentiles. While such a procedure mitigates against rewarding inefficiency, the possibility of *rewarding inefficiency still remains a major disadvantage of an individual fee system.*

Contrasting Variable and Fixed Fees

The most frequent type of reimbursement methodology used by state Medicaid agencies to reimburse pharmacy providers is the *fixed dispensing fee*. The primary advantages of the fixed dispensing fee are that it is easy to implement, and the fee amount is known in advance (making expenditures more predictable). The dispensing fee portion of pharmacy expenditures is subject only to volume increases, and it not exposed to changes over time in the price and mix of ingredients dispensed.

Under Wyoming's current *variable* reimbursement methodology, both the dispensing fee and drug ingredient reimbursement are influenced by the AWP price of the drug ingredient. As the ingredient cost (AWP) increases, reimbursement for **both** the dispensing fee and the drug ingredient cost increases. Since AWP is not under the control of the state, budgeting for these increases is difficult. By using this reimbursement methodology, the state pays more for drugs than would be paid using a fixed dispensing fee methodology (without considering the effects of the "lower of usual and customary charges" limitation on reimbursement).

When the current reimbursement methodology for prescription drugs was implemented, the rapid increases in ingredient costs seen during the 1990s were not anticipated. This rate of increase appears to be a trend that will continue. Therefore, a change to a fixed dispensing fee that is not driven in part by ingredient costs would be worthy of consideration by the state.

Dispensing Fee Recommendations

The best option for the state of Wyoming at this time is to maintain the uniform statewide fee system; i.e., the same fee for all providers. We further recommend that the state move to a fixed fee system.

The dispensing fee survey results in a cost of \$5.38, the average cost weighted by total prescriptions and adjusted to December 31, 1998. As the state of Wyoming will not be changing the dispensing fee until January 1, 2000, it would be appropriate to adjust the cost to December 31, 1999 using the average change in the CPI index for the previous year. The change in the CPI index for the previous two years was nearly identical; it was less than 2%. Adjusting the \$5.38 cost to December 31, 1999, results in an average cost of \$5.47. We recommend adding a profit amount of \$.50 to the average cost, resulting in a dispensing fee of \$5.97.

Chapter

3

SURVEY OF ACQUISITION COSTS**Methodology**

The Department provided a list of the top 200 brand name and the top 200 multi source drugs (Exhibit 21) ranked by total dollars reimbursed for the fiscal year ending June 30, 1998. This listing included the AWP (average wholesale price) and MAC (maximum allowable cost/federal upper limit price), if applicable, for the sample months, annual number of prescriptions reimbursed, and annual dollars reimbursed for the fiscal year ended June 30, 1998.

Myers and Stauffer randomly selected 39 pharmacies to participate in the acquisition cost survey. The Department sent a letter to the selected pharmacies requesting them to copy drug purchase invoices covering a one-month period (Exhibit 19). One half of the pharmacies were asked to send invoices from May 1998 and the other half from November 1997. Pharmacy providers were requested to submit invoices for drug purchases from both wholesalers and manufacturers. Not all providers submitted invoices for direct purchases from manufacturers. However, it is not known whether no direct purchases were made during the sample month, whether the provider does not purchase directly from manufacturers, or whether the provider simply did not submit them.

Those pharmacy providers not responding by November 17, 1998 were sent a reminder letter (Exhibit 20). Invoices were received from 15 pharmacies. Five were chains, one was a hospital, and one was an institution. The hospital purchase prices were removed because the hospital was not representative of the rest of the population. However, there were no other significant differences noted in acquisition costs based on submitted invoices. There was no significant difference between the acquisition cost of drugs for chains and independents shown by the invoice data. Based on our experience and discussions with various chain organizations and the larger independent pharmacies, some of these organizations receive rebates on their drug purchases; however, no rebates were noted on the invoices received.

The drug purchase date, drug name, strength, package size, number of units purchased, extended price paid, and NDC number, if available, from the invoices were entered into our database. The drugs were then computer matched by NDC number to the listing of 400 drugs provided by the state of Wyoming. As many invoices did not reflect NDC numbers, remaining invoice drugs were matched by

description. Many drugs did not match the EAC drug listing because of differing package size or drug strength and therefore are not included in the results.

Schedule H, "Wyoming EAC Discounts" is a listing of all invoice drugs which were included on the state's drug EAC list. After the unit Actual Acquisition Cost (AAC) of each drug was calculated, AAC as a percent of the AWP used for Wyoming reimbursement rate was calculated. The following means of these percents were calculated (Exhibits 22 and 23): (1) all drugs, (2) drugs purchased from wholesalers, and (3) drugs purchased direct from manufacturers. The three means were calculated for all drug purchases combined and for each pharmacy.

Findings

Invoice drug purchases were separated into categories of wholesale and direct purchases as these two groups have distinct characteristics. The following observations were noted:

- The average acquisition cost as a percentage of AWP for brand (non-MAC) drugs averaged 82.8%. The majority of these drugs were acquired at 80 to 86% of AWP. Multi-source drugs for which there was no MAC price were purchased on the average at 38.2% AWP.
- The average acquisition cost as a percent of AWP for MAC drugs was 26.4%. Providers were able to purchase drugs for which there was MAC prices at greater discounts than the discounts given for other multi-source drugs. However, there were a few brand name drugs with MAC prices that were purchased at only a 15 to 25% discount from AWP.
- The mean discount from AWP for all brand name non-MAC drugs purchased from wholesalers was 17.2%.
- The mean discount from AWP for all non-MAC drugs purchased was 18.7%.
- There were only five direct purchases out of approximately 3,200 purchases of non-MAC drugs included on the state's EAC listing.
- The data does not show that any drugs were purchased primarily from drug manufacturers on a direct price basis. Although we received several manufacturer invoices from the majority of responding pharmacy providers, there were only a few direct purchases of drugs that were on the EAC list.
- We have calculated the actual acquisition cost of multi-source drugs for which there is a MAC price as a percentage of AWP and as a percentage of MAC prices. The average discount from AWP for these multi-source drugs is 73.7%. The average discount from MAC prices is 30.1% for all multi-sources drugs for which there is a MAC price. The drug acquisition cost as a percent of MAC prices ranged dramatically from 19% to 307% of the MAC prices; therefore, *we do not recommend a reimbursement based on a percent of MAC pricing.*

- There were no significant differences due to chain affiliation or urban location. Exhibit 22 is a listing of the mean acquisition cost as a percent of AWP for all non-MAC drugs purchased for individual stores. Exhibit 23 is a listing of the mean acquisition cost as a percent of AWP for all MAC drugs purchased for individual stores.

Ingredient Cost Reimbursement Alternatives

There are various alternatives available to the Department for drug ingredient cost reimbursement. These are discussed below:

- **Mean Wholesale Discount** - base reimbursement on the mean wholesale discount as the responding providers primarily purchased their drugs from wholesalers. This purchase method (wholesale) is consistent with previous surveys we have conducted.
- **WAC Plus**- Reimburse drugs at WAC (wholesale acquisition cost) plus a percentage. Based on discussions with First DataBank, the WAC is available for about forty percent of all drugs. However, it may be that WAC prices are available for most of the higher cost drugs reimbursed by Wyoming Medicaid. First DataBank was able to provide WAC prices for 571 of the 600 drugs requested in a survey for another state.
- **Lower of MAC or AWP** - The state currently reimburses certain generic drugs using federal upper limit prices, generally called MAC prices. An alternative methodology for reimbursing these drugs would be to reimburse these drugs at the lower of MAC prices or at AWP minus a percent, similar to non-MAC drugs. The purchase data collected shows that providers purchase MAC drugs from wholesalers, on the average, at a discount of 73.65% from AWP. However, the discounts range from a low of approximately 15% to a high of 97%. The lower discounts appear to be brand-name multi-source drugs.
- **Most Common Size** - Reimbursement may be based on the cost of the most commonly purchased package size for each drug. An example would be a product that is available in 36-capsule, 100-capsule, 500-capsule and 1,000-capsule package sizes. The Department could select the unit cost of a specific package size and reimburse at this unit cost for any package size submitted. The selection could be based on the most frequently purchased package size for each drug. In this manner, the length and cost of maintenance of the Department's drug formulary could be greatly reduced. We did not analyze whether the majority of a certain drug was purchased in a particular sample size; however, the data collected may support that premise.
- **State MAC** - The state could implement what is known as "state MAC" prices or SMACs on multi-source drugs for which there is currently no federal MAC prices, or set lower, more accurate, MACs on selected drugs with a federal MAC. This would require that someone survey the acquisition costs of those drugs periodically to ensure that the state SMACs are reasonable.

Ingredient Cost Recommendation

The average discount off AWP for the brand drugs sampled in the EAC survey was 17.2%. We do not recommend adopting a 17.2 percent reduction factor as the reimbursement methodology as many drugs were purchased at a lesser discount off AWP. In addition, we have not taken into account out-of-date drugs that are a cost for most pharmacies, although some drugs may be returned for credit within a certain timeframe. The use of AWP-11% to AWP-12% would be a reasonable reimbursement methodology allowing a reasonable profit for most drugs dispensed. There were a few drugs in the EAC survey which were purchased at a lower discount; however this allowance would more than cover the acquisition cost of the majority of drugs dispensed to Medicaid patients.

If the Division receives feedback from pharmacy providers to the effect that they cannot purchase a specific drug at the methodology reimbursement rate, an individual review of the purchase price of that specific drug could be undertaken. This could be done by requiring the petitioner to submit invoices or surveying a sample of wholesalers. If the complaint was found to have merit, an individual deviation in reimbursement rate could be made for that drug.

Many states have state MAC prices for drugs that may or may not have federal MAC prices. The Medicaid pharmacy administrator sets these limits based on prevailing prices. This is one way to limit reimbursement in cases where federal government limits do not exist.

As few of the sampled drugs were purchased directly from manufacturers, we do not recommend basing the drug ingredient reimbursement methodology on direct purchase prices for any drugs.

Chapter

4

ANALYTICAL REPORT**Schedule A**

Exhibit 18 is an example of Schedule A. This schedule is sent to each participating pharmacy and shows the pharmacy's calculated cost per prescription.

A randomly assigned number, located in the upper left corner of the schedule identifies each report. The next column indicates the fiscal year end of the pharmacy. Fiscal years ended on or before June 30, 1998. The next column contains the pharmacy's total prescription volume for the fiscal year of the survey. The next three columns of the report give the unadjusted cost per prescription for overhead, labor, and total cost. Overhead, labor, and total cost per prescription adjusted for inflation are printed below the unadjusted costs.

Overhead Costs

The expense statement shows the line items and the related original costs that were reported on the cost report. Costs were allocated by one of the following ratios: all (100%), sales, or area. The codes representing these ratios are A, B, and C, respectively. Prescription container and label expense is coded by the letter H. See Exhibit 17 for further explanation of these codes. Most expense items not allocated (e.g., corporate state income tax) were simply omitted from the schedule.

The amounts used in the calculations for the sales and area ratios are located at the top of each Schedule A. The sales ratio is the ratio of prescription sales to total sales. The area ratio is the product of 1.5 times prescription area divided by total store area, not to exceed the sales ratio. The area for the prescription department was increased by 50 percent to allow for patient waiting and office area.

Labor Costs

Lines 45-49 relate to the allocation of labor in which each line represents different categories of employees or owners. This section shows the total salaries and

benefits, allocation codes, percent of prescriptions dispensed by the pharmacists, the percent of each employee's time spent in prescription-related duties, and allocated labor. The source of this data is Lines 31-44 of the cost report. Exhibit 17 explains the codes.

- Line 45, the allocated salaries or drawings for owner pharmacists, is computed using the adjusted percent of prescription time and then subjecting the resultant amount to the upper and lower limits of $\$2.24 \times (\text{owner Rx's}) + \$9,021$ and $\$2.24 \times (\text{owner Rx's}) + \$20,696$, respectively. These calculations are coded by the letter "D."
- Line 46, the allocation of Employee Pharmacists' salaries, is coded by the letter "G." This allocation was made by multiplying the reported salary by the adjusted percent of prescription time.
- Line 47, the Owner Non-licensed Pharmacist salary, is coded by the letter "E." The percent of prescription time is not modified for purposes of computing allocated salaries or drawings for owner nonpharmacists. Upper and lower salary limits for owner nonpharmacists were \$20,000 and \$10,000 per year, respectively, subject to an adjustment for full-time equivalency.
- Line 48, Other Prescription Department Employees, is coded by the letter "F." This indicates an allocation of the originally reported salaries, payroll taxes, and benefits on the basis of percent of prescription time.
- Line 49, All Other Employees, includes labor costs for employees with no time in the prescription department, and therefore none of these costs are allocated for prescription costs.
- Listed below Line 49 is the sales adjustment for labor. This adjustment was calculated as follows: $[(0.3) (\text{sales ratio}) / [0.1 + (0.2) \text{ sales ratio}]]$.

Example of Schedule A

Exhibit 18 is an example of Schedule A. The original costs on Line 5, Depreciation, were \$4,220. Depreciation costs as originally reported were allocated by Code C (area ratio) which is the ratio shown under the "FACTOR" column as .279. The allocated cost is \$1,177 that is printed under the column entitled "ALLOC RX COST." Following Line 29 is the total of these allocated costs, "TOTAL ALLOCATED RX OVERHEAD," which is used to calculate overhead cost per prescription. Other overhead expenses are allocated similarly using the appropriate allocation ratio for each expense.

In the example, line 45 shows allocated salaries and drawings for owner pharmacists. This owner pharmacist spent 88 percent of his time in prescription-related duties and filled 25 percent of the total prescriptions dispensed. The 88 percent factor has been modified to 94 percent, and the reported salary of \$56,126 has been lowered to the upper limit of \$46,187 (Line 45). The original salary of \$56,126 was multiplied by 94% and then subjected to the upper limit of

\$2.24 multiplied by the number of prescriptions filled by the owner ($\$2.24 \times .25$ (45,520) plus \$20,696.

Two employee pharmacists spent 100% of their time in prescription-related duties. As shown in Exhibit 18, the 100% factor was modified to 100% and \$82,612 is the allocation of the original salaries of \$82,612. This sample Schedule A also shows that the employee pharmacists filled 75% of the total prescriptions dispensed.

On line 47, the owner non-pharmacist's salary of \$5,660 was first multiplied by 100%, resulting in \$5,660. The lower salary limit was calculated by multiplying 1.0 (full time equivalency factor) times \$10,000 (lower limit) times 100% (percent of prescription time) or \$10,000. The upper limit would be (1.00) (\$20,000) or \$20,000. The \$5,660 of allocated salaries, payroll taxes and benefits was below those limits, and, therefore, was adjusted to the lower limit, \$10,000.

Line 48 of this example Schedule A shows the percent of prescription time reported as 75% and total salaries as \$46,000. Therefore, the allocation for prescription costs is \$34,500.

On line 49, All Other Employees, none of the \$13,100 in total salaries, payroll taxes, and benefits shown on the schedule is allocated for prescription cost purposes.

The pharmacy represented in this example had preallocated salaries of \$200,847 (see Exhibit 12 for the algorithm for preallocated labor) and a sales ratio of .894. The sales ratio as modified by the above formula was then multiplied by the preallocated salaries ($.96 \times \$200,847 = \$192,813$). Since this product was more than the total allocated salaries, the sum of Lines 45-49, an adjustment to total allocated salaries was not necessary.

Schedule D

Schedule D consists of arrays of certain costs and other data taken from individual Schedule A's and is, therefore, a summarization of all individual cost surveys. The first column indicates the randomly assigned number of the individual pharmacy. The next three columns are overhead, labor, and total cost per prescription before inflation adjustments. The following three columns are overhead, labor, and total cost per prescription after adjusting for inflation to December 31, 1998.

The data in Schedule D is arrayed in various sequences. For example, the first sequence is in descending order from the highest to the lowest inflated total cost per prescription. Another sequence is in descending order based upon adjusted overhead cost per prescription. Cases of extreme high and low costs per prescription represent unusual circumstances such as pharmacies that have very

low or very high prescription volume. However, these pharmacies have little effect on average costs per prescription. These sequential arrays are convenient for locating probable errors in data and for determining costs at various percentiles. Schedule D is also presented in various other sequences such as adjusted total cost per prescription and total prescription volume. The sequence order is shown immediately above the column headings on the left side of Schedule D printouts.

The 10th to 90th percentiles are indicated on each Schedule D on the right side of the printout. On the last page of each sequence, various means are calculated. First, the unweighted means are calculated. Second, the means are weighted by the total number of prescriptions dispensed and, finally, the means are weighted by the Medicaid prescriptions dispensed. The total number of Medicaid prescriptions utilized was taken from the Department's payment records for the period May through October of 1998. Those amounts were multiplied by two resulting in an estimation of annual Medicaid prescriptions dispensed. The last page of the schedule also indicates total prescription volume for the number of pharmacies included in the calculation of averages. Also shown are the standard deviation and variance of the unadjusted mean.

Adjusted overhead, labor, and total cost per prescription include data from 56 pharmacies. See Table 1 for a summary of this data. Table 7 is a summary of unadjusted total cost per prescription.

The information in Schedule D is also sorted by various categories such as ownership, affiliation and prescription volume. Tables 2, 3, and 4, summarize the means and percentiles of these variables. An examination of these schedules points to cost differences for the various classifications. It should be noted that cost differences observed in these schedules may not be statistically significant.

WYOMING PHARMACIES

List of Tables

Table 1	Total Cost Per Prescription - Cost Adjusted to June 1998
Table 2	Total Operating Cost Per Prescription By Prescription Volume - Cost Adjusted to June 1998
Table 3	Total Operating Cost Per Prescription by Ownership – Cost Adjusted to June 1998
Table 4	Total Operating Cost Per Prescription by Affiliation - Cost Adjusted to June 1998
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Table 6	Total Cost Per Prescription by Unit Dose Services Provided - Cost Adjusted to June 1998
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Table 8-A	Regression Summary - Dependent Variable: Inflated Total Cost Per Prescription
Table 8-B	Regression Summary - Dependent Variable: Inflated Total Prescription Costs

Table 1

WYOMING PHARMACIES

Cost Adjusted to December 1998

Total Cost Per Prescription

<u>Percentiles</u>	<u>Labor</u>	<u>Overhead</u>	<u>Total</u>
90	\$5.35	\$2.16	\$7.09
80	5.06	1.81	6.62
70	4.45	1.60	5.94
60	4.19	1.47	5.78
50	3.96	1.33	5.45
40	3.84	1.14	5.16
30	3.74	1.02	4.92
20	3.56	0.84	4.66
10	3.01	0.76	4.17
Mean Weighted by Medicaid Rx's	4.09	1.38	5.47
Mean Weighted by Total Rx's	4.02	1.35	5.38
Unweighted Mean	4.26	1.40	5.66
Number of Pharmacies	56	56	56

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
 with fiscal years ending on or before June 30, 1998.

TABLE 2

WYOMING PHARMACIES

Cost Adjusted to December 1998

Total Operating Cost Per Prescription
By Prescription Volume

<u>Percentiles</u>	<u>10,001- 20,000</u>	<u>20,001- 30,000</u>	<u>30,001- 40,000</u>	<u>40,001- & Above</u>	<u>All Pharmacies</u>
90	\$11.47	\$7.35	\$6.29	\$5.88	\$7.09
80	9.42	7.00	5.76	5.78	6.62
70	7.33	6.62	5.46	5.55	5.94
60	7.09	6.19	5.43	5.37	5.78
50	6.64	6.08	5.38	4.92	5.45
40	5.99	5.94	5.16	4.77	5.16
30	5.04	5.79	5.11	4.56	4.92
20	5.04	5.44	5.06	4.17	4.66
10	4.69	4.72	4.04	3.64	4.17
Mean Weighted by Medicaid Rx's	6.00	6.35	5.49	5.22	5.47
Mean Weighted by Total Rx's	7.06	6.29	5.47	5.05	5.38
Unweighted Mean	7.21	6.32	5.45	5.02	5.66
Number of Pharmacies	8	10	13	25	56

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
 with fiscal years ending on or before June 30, 1998.

TABLE 3

WYOMING PHARMACIES

Cost Adjusted to December 1998

Total Operating Cost Per Prescription by Ownership

<u>Percentiles</u>	<u>Individual & Partnership</u>	<u>Corporation</u>	<u>All Pharmacies</u>
90	\$6.64	\$7.17	\$7.09
80	5.99	6.62	6.62
70	5.76	5.94	5.94
60	5.44	5.78	5.78
50	5.44	5.46	5.45
40	4.63	5.30	5.16
30	4.45	5.04	4.92
20	4.04	4.72	4.66
10	4.04	4.17	4.17
Mean Weighted by Medicaid Rx's	4.65	5.54	5.47
Mean Weighted by Total Rx's	5.01	5.41	5.38
Unweighted Mean	5.28	5.72	5.66
Number of Pharmacies	7	49	56

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
 with fiscal years ending on or before June 30, 1998.

TABLE 4

WYOMING PHARMACIES

Cost Adjusted to December 1998

Total Operating Cost
Per Prescription by Affiliation

<u>Percentiles</u>	<u>Independent</u>	<u>Chain</u>	<u>All Pharmacies</u>
90	\$7.17	\$6.62	\$7.09
80	6.80	6.08	6.62
70	5.99	5.94	5.94
60	5.76	5.78	5.78
50	5.37	5.46	5.45
40	5.06	5.38	5.16
30	4.89	4.77	4.92
20	4.69	4.66	4.66
10	4.21	3.64	4.17
Mean Weighted by Medicaid Rx's	5.55	5.37	5.47
Mean Weighted by Total Rx's	5.48	5.30	5.38
Unweighted Mean	5.74	5.59	5.66
Number of Pharmacies	28	28	56

Prepared without audit by Myers and Stauffer LC
Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
with fiscal years ending on or before June 30, 1998.

Table 5

WYOMING PHARMACIES

Cost Adjusted to December 1998

Total Cost Per Prescription by Geographic Location

	<u>Urban</u>	<u>Rural</u>	<u>All</u>
Mean weighted by total Rx's	5.15	5.48	5.38
Unweighted mean	5.27	5.77	5.66
Median	5.26	5.47	5.46
Number of pharmacies	12	44	56

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
 with fiscal years ending on or before June 30, 1998.

Table 6

WYOMING PHARMACIES

Cost Adjusted to December 1998

Total Cost Per Prescription by Unit Dose Services Provided

<u>Percentiles</u>	<u>Unit Dose</u>	<u>All Other</u>	<u>All</u>
Mean weighted by total Rx's	5.48	5.32	5.38
Unweighted mean	5.84	5.57	5.66
Median	5.46	5.46	5.46
Number of pharmacies	20	36	56

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
 with fiscal years ending on or before June 30, 1998.

TABLE 7

WYOMING PHARMACIES

Unadjusted Data

Total Cost Per Prescription

<u>Percentiles</u>	<u>Labor</u>	<u>Overhead</u>	<u>Total</u>
90	\$5.17	\$2.11	\$6.94
80	4.95	1.78	6.32
70	4.34	1.56	5.78
60	4.11	1.44	5.65
50	3.88	1.30	5.34
40	3.76	1.11	5.04
30	3.66	1.00	4.84
20	3.50	0.81	4.56
10	2.97	0.74	4.01
Mean Weighted by Medicaid Rx's	4.00	1.35	5.34
Mean Weighted by Total Rx's	3.93	1.32	5.25
Unweighted Mean	4.16	1.37	5.53
Number of Pharmacies	56	56	56

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Schedule D, December 19, 1998 for the 56 responding pharmacies
 with fiscal years ending on or before June 30, 1998.

Table 8-A

WYOMING PHARMACIES

Regression Summary

Dependent Variable: Inflated Total Cost per Prescription

<u>Step Number</u>	<u>Independent Variable Entered</u>	<u>Coefficient</u>	<u>R2</u>	<u>Increase in R2</u>	<u>F to Enter</u>
0	Y-Intercept	5.8610			
1	NONMED	-0.2790	0.114	0.114	5.900
2	TOTAREA	-0.2050	0.228	0.114	6.627
3	CORP	1.4200	0.352	0.124	7.971
4	LTCPER	-0.0235	0.461	0.109	9.179

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Regression Analysis. Schedule F, dated December 1998.

Table 8-B

WYOMING PHARMACIES

Regression Summary

Dependent Variable: Inflated Total Prescription Costs

<u>Step Number</u>	<u>Independent Variable Entered</u>	<u>Coefficient</u>	<u>R2</u>	<u>Increase in R2</u>	<u>F to Enter</u>
0	Y-Intercept	15.474			
1	TOTRXVOL	44.009	0.820	0.820	210.196
2	TOTAREA	-10.817	0.857	0.037	134.730
3	CORP	59.502	0.878	0.021	105.072
4	LTCPER	-0.883	0.892	0.014	88.658

Prepared without audit by Myers and Stauffer LC
 Certified Public Accountants, Topeka, Kansas.

Source: Regression Analysis. Schedule F, dated December 1998.

**WYOMING PHARMACIES
EXHIBITS**

Exhibit 1	Blank Reports and Instructions, Cover Letter (2- Independent/Chains)
Exhibit 2	Letter from Department
Exhibit 3	Efforts Promoting Participation
Exhibit 4	Follow-up letter urging participation and extending the due date of the survey
Exhibit 5	Request for Additional Information Form
Exhibit 6	Field Examination Letter from Firm
Exhibit 7	Field Examination Program
Exhibit 8	Summary of Field Examination Findings
Exhibit 9	Field Examination Thank You Letter
Exhibit 10	Algorithm for Applied Rx Labor
Exhibit 11	Percent of Allocated Labor Allowed Given a Sales Ratio
Exhibit 12	Table of the Inflation Factors
Exhibit 13	Calculation of Container Cost Per Rx
Exhibit 14	Listing of the Variables Used in the Stepwise Regression
Exhibit 15	Bivariate Plots
Exhibit 16	List of Urban Locations
Exhibit 17	Explanation of Schedule A Allocation Codes
Exhibit 18	Schedule A - Example
Exhibit 19	Letter from Department requesting drug purchase invoices
Exhibit 20	Follow-up letter requesting drug purchase invoices
Exhibit 21	Drugs Included in the Estimated Acquisition Cost Study
Exhibit 22	Totals and Means for Non-MAC Drugs Acquisition Cost as a Percent of AWP
Exhibit 23	Totals and Means for MAC Drugs Acquisition Cost as a Percent of AWP
Exhibit 24	Unit Dose Questionnaire

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September 21, 1998

TO: Wyoming Pharmacies

As part of the on-going process of Medicaid fee determination, the Wyoming Department of Health, Division of Health Care Financing, has contracted with our firm to conduct a survey of costs of dispensing prescriptions in Wyoming. All Wyoming pharmacy providers are requested to participate in the Wyoming pharmacy cost survey. We conducted similar pharmacy cost surveys in Wyoming in 1988, 1990, and 1995 and are looking forward to working again with Wyoming pharmacy providers.

Enclosed are copies of the Wyoming Pharmacy Cost Report forms and instructions. We encourage you to read the instructions. Please submit the completed forms directly to us by October 9, 1998. If your tax return has not been completed for your most current fiscal year, please file a cost report using your prior year's tax return and the corresponding prescription data for that year. The data will be adjusted for inflation. Please retain a copy of the completed survey forms for your records.

For your convenience, we offer to complete a portion of the survey for you. You may send us a copy of your business federal income tax return (Forms 1065, 1120, 1120S, or Schedule C of Form 1040 and accompanying schedules). All tax returns will be used in strict confidence and destroyed after the data is entered. You will still need to complete the following cost report sections:

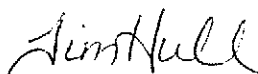
- 1) Page 1
- 2) Page 2 Line 1, column 1 - prescription sales
Line 3, columns 1 and 2 - prescription area and total store area
- 3) Page 3 Personnel Costs - Complete Lines 31 - 45, all columns
- 4) Section III, Pharmacy Prescription Charges Survey

All information submitted on your report will be held in confidence. Each report will be assigned a 4-digit identification number to protect the confidentiality of ownership information. Access to this information will be limited to members of our firm.

It is very important that all pharmacies cooperate by filing an accurate cost report. Reports generated from this survey may be used as a basis for determining future professional fees paid under the Title XIX (Medicaid) program. To encourage cooperation, a computerized analysis of your costs incurred in filling a prescription will be sent to you.

If you have any questions, please call Allan Hansen toll free at 1-800-255-2309. Your cooperation in providing the information for this survey is greatly appreciated.

Sincerely,



Tim Hull
Project Manager

Myers and Stauffer LC
Certified Public Accountants

4123 SW Gage Center Dr., Suite 200
Topeka, Kansas 66604-1833
785.228.6700
800.255.2309
785.228.6701 (fax)

September 24, 1998

TO: Wyoming Chain Pharmacies

As part of the on-going process of Medicaid fee determination, the Wyoming Department of Health, Division of Health Care Financing, has contracted with our firm to conduct a survey of costs of dispensing prescriptions in the State of Wyoming. We conducted similar pharmacy cost surveys in Wyoming in 1988, 1990, and 1995 and are looking forward to working again with Wyoming pharmacy providers.

All Wyoming pharmacy providers are requested to participate in the Wyoming pharmacy cost survey. Enclosed is a listing of the names and addresses of your Wyoming pharmacies as shown on the Wyoming Department of Health records. If this list is inaccurate or incomplete, please notify us.

Enclosed are copies of the Wyoming Pharmacy Cost Report forms and instructions for each of your stores. We encourage you to read the instructions. Please submit the completed forms directly to us by October 12, 1998, and retain a copy of the completed survey forms for your records.

If you prefer, send individual income statements for each store and we will enter this information on the survey forms. You will still need to complete the following cost report sections:

- 1) Page 1
- 2) Page 2 Line 1, column 1 - prescription sales
Line 3, columns 1 and 2 - prescription area and total store area
- 3) Page 3 Personnel Costs - Complete Lines 31 - 45, all columns
- 4) Section III, Usual and Customary Prescription Charges Survey

Please describe any cost allocations used in preparing the income statement such as administrative expense, et cetera. Warehousing costs should be shown in cost of goods sold or listed separately.

All information submitted on your report will be held in confidence. Each report will be assigned a 4-digit identification number to protect the confidentiality of ownership information. Access to this information will be limited to members of our firm.

It is very important that all pharmacies cooperate by filing an accurate cost report. Reports generated from this survey may be used as a basis for determining future professional fees paid under the Title XIX (Medicaid) program. To encourage cooperation, a computerized analysis of each store's costs incurred in filling a prescription will be sent to you.

If you have any questions, please call Allan Hansen toll free at 1-800-255-2309. Your cooperation in providing the information for this survey is greatly appreciated.

Sincerely,


Tim Hull
Project Manager

Wyoming Pharmacy Cost Report

Survey Forms by Myers and Stauffer LC
Certified Public Accountants
4123 SW Gage Center Drive, Suite 200
Topeka, Kansas 66604
800-255-2309

Under Contract with the Wyoming Department of Health
Division of Health Care Financing

PURPOSE: The purpose of this survey is to determine the cost of dispensing prescriptions in the State of Wyoming.

WHO MUST FILE

Except for the following, all pharmacies that are Wyoming Medicaid providers should file this cost report:

- ☐ Pharmacies that dispense less than 250 Medicaid prescription claims annually
- ☐ New pharmacies that were in business less than six months during the reporting period
- ☐ Pharmacies with a change of ownership that resulted in less than six months in business during the reporting period

If your pharmacy meets one of the exceptions listed above, please check the box next to the explanation describing your business, sign your name, and return only this page in the enclosed envelope.

WY Medicaid Provider Number

Provider Name

Signature of Owner

GENERAL INSTRUCTIONS

If any assistance is needed in completing this survey, please **call toll-free (800) 255-2309**. Please complete these forms using your most recent fiscal year ending **on or before June 30, 1998** and return them by **October 12, 1998**. Most retail pharmacies can complete these survey forms by using their most recent federal income tax return. Most expense items requested can be transferred directly from a line on the tax return to a line on the cost report. Line reference numbers of four tax forms are listed on the left side of the report. Simply locate the column for your tax form. **If you prefer, send us a copy of your income tax return (Form 1065, 1120, 1120S, or Schedule C of Form 1040 including supporting schedules) and we will complete the overhead expenses, Section IIB, Page 2 and Section IID, Page 3, for you.** You will still need to fill in the remaining sections. If you send a copy of your tax return, **please identify any expenses that are 100% Rx-Department expenses** such as continuing education, and identify any expenses that are totally non-Rx Department expenses such as fountain expenses, etc. By sending any of these tax forms, you will not be providing us with any information other than that requested if you completed the survey yourself. We will destroy the tax forms after entering the information on the survey. **Please remember to round all amounts to the nearest dollar or whole number.**

Retail Chain Pharmacies

Expenses incurred by chain pharmacies such as administration, central operating, or other general expenses should be allocated to individual units. **Warehousing expenses must be either separately identified or included in cost of goods sold.** Methods of allocation must be reasonable and conform to generally accepted accounting principles. Please explain any allocation procedures used. Allocated costs should be clearly identified and entered on lines 27, 28 and/or 29.

SECTION IA --- PHARMACY ATTRIBUTES

The information gathered from your answers to these questions will be analyzed to determine its relationship to your cost of dispensing a prescription. You may have to provide estimates for some answers; please estimate as carefully and accurately as possible.

Line (j) — "Prescriptions Dispensed." Please report the total number of all prescriptions filled **during the fiscal year** of the costs reported on pages 2 and 3 of this cost report. This information may be kept on a daily or monthly log or on your computer. If you keep no record of the number of prescriptions you fill, the amount may be estimated using the following method. (1) Often your Rx numbering system may be used to estimate new Rx's. Subtract the Rx number of the first prescription filled in your fiscal year from the Rx number of the last prescription filled. (2) Take a sample over several days showing the number of refill prescriptions and new prescriptions. Divide the number of refills by the number of new prescriptions in your sample. Multiply that amount times the number of new prescriptions determined in (1) above to estimate the number of refill prescriptions for your fiscal year.

SECTION IIA --- SALES AND FLOOR SPACE

Please list total store sales excluding sales tax. Total store sales and cost of goods sold are shown on the federal income tax return. If there is no separate record of prescription drug sales, estimate it as accurately as possible. Sales of prescription drug items **should not include nonprescription OTC's, durable medical equipment, or other nonprescription items.** One method to estimate sales of prescription drug items is to use your sales tax return. Subtract an estimate of your sales of DME and prosthetic devices from the nontaxable sales amount. The remaining amount will be an estimate of sales of prescription drug items. If Rx cost of goods sold is not readily available, leave that line blank.

Since **floor space** will be used in allocating expenses, accuracy is important. When measuring the total store, include only the retail area and exclude any storage area, i.e., basement, attic, off-the-premises areas, or freight in-out areas. When measuring the Prescription Department, exclude patient waiting area and prescription-related office. These should be included in total store area. A factor is added to the Prescription Department area to account for both waiting and office space.

SECTION IIB --- OVERHEAD EXPENSES [TAX RETURN MAY BE SUBSTITUTED.]

Overhead costs reported on the cost report must be resulting from arms-length transactions between nonrelated parties. Related parties include, but are not limited to, those related by family, by business or financial association, and by common ownership or control. The most common non-arms-length transaction involves rental of property between related parties. The only allowable expense of such transactions for cost determination purposes would be the actual costs of ownership (depreciation, taxes, interest, etc., for the store area only). The rental amount will be disallowed. Please show this as a reconciling item in Section IID.

Line (6) & (7) — Include only personal property taxes or real estate taxes paid on property used in this pharmacy's business.

Line (7a) -- Include the employer's share of FICA and Medicare taxes, and state and federal unemployment taxes.

Line (10) — Include only rent that applies to the store. Report only rental expense incurred by transactions between nonrelated parties. See the first paragraph of this section for expenses allowed in lieu of rent paid to a related party.

Line (22)-- Include office and operating supplies. If prescription containers and labels are included in your supplies, please exclude them from this line and show them on line 26.

Line (24) — Rx Computer Expenses. Include expenses for a computer that is used **only in the Rx Department here.** **These expenses should not be duplicated on any other line.** If your computer is used by other departments of the pharmacy, do not enter anything on this line and enter those expenses on line (29).

Line (25) — Rx Delivery Expenses. If you deliver **Rx items only**, include expenses paid for your delivery vehicle here, including expenses paid to a delivery service for delivery of Rx items. **These expenses should not be duplicated on any other line.** If your delivery vehicle is used by other departments of the pharmacy or for miscellaneous purposes, do not enter anything on this line and enter those expenses on line (29).

Line (26) — Rx Containers and Labels. The cost of prescription containers and labels should be included here if separately identified as an "Other Expense" on your federal income tax return. If you did not claim this as a separate deduction on your federal income tax return and if your accounting records are such that this figure is difficult to determine, leave this line blank. An allowance will be made for Rx containers and labels based on your prescription volume.

Lines (27)-(29) — On these lines identify any non-labor expenses not already included on your cost report but listed as other deductions on your federal income tax return. **Identify each item and the amount**, rather than labeling all such expenses as "miscellaneous." **If you wish, you may simply attach the schedule from your federal return which lists these expenses.** Please clearly label any items that are 100% Rx-related, such as pharmacist continuing education, or that are 100% non-Rx-related, such as a laundry expense for your fountain operation.

SECTION IIC --- PERSONNEL COSTS [LINES (31)-(45)]

Lines (31)-(38) — "Percent of Prescriptions Dispensed." Please provide your best estimate of the percentage of prescriptions dispensed by each pharmacist. Notice: This column must total line 38a (100%).

Lines (31)-(43) — "Average Weekly Hours." You may not have detailed records of where each employee worked; however, please provide your best estimate of an average or "typical" week. The first column should show average number of hours the employee worked per week. The second column should show the average number of hours per week spent performing Rx-related duties. Rx-related duties are defined as time spent filling prescriptions as well as doing the related administrative work, including ordering and stocking prescription ingredients, taking inventory, maintaining prescription files and delivering prescriptions. Pharmacists providing consultation to long-term care facilities should be listed separately. Any revenue received for those consultation services should be noted in Section IB, page 1.

Lines (31)-(33) — "Owners." For purposes of this study, an employee who is a stockholder in the pharmacy is considered an "Owner." All individual proprietors, partners, or stockholders should list their total drawings and/or salaries for the year. Do not show net profit as the owner's salary but only **actual drawings or salary**. For those owners who took no salary or drawings, show zero to indicate you have not overlooked this line. A salary will be allocated based on time and/or prescriptions dispensed.

Lines (39)-(43) — Rx Technicians, nonprofessional, clerical, and delivery personnel who perform Rx-related duties should be listed.

Line (44) --- "All Non-Rx Employees." List total salaries for all employees who spend **no time** in Rx-related duties.

SECTION IID --- RECONCILIATION WITH BOOKS OR FEDERAL INCOME TAX RETURN

The purpose of this reconciliation is to ensure that all expenses have been listed and that none have been duplicated. For example, pharmacies operating as sole proprietors will normally need to list owner's salaries, drawings, and benefits as a reconciling item. Other examples of reconciling items are the 20% meals deduction, officers' life insurance, rent paid to related party, etc.

SECTION III --- PHARMACY PRESCRIPTION CHARGES SURVEY

List the appropriate information for the first **50 NEW** prescriptions dispensed on the first working day after the date shown in the box in the upper left corner of the survey form. If 50 new prescriptions were not dispensed on that day, list the first new prescriptions dispensed on the following day(s) until 50 are listed. Do not list Medicaid, compounded, or OTC prescriptions. Skip these and proceed to the next prescription. All other new prescriptions must be listed—including loss leaders, **non-Medicaid third party paid prescriptions**, special rates, sale prices, and controlled substances. If preferred, you may send a computer generated drug listing. Please ensure all required data is included on the computer generated listing.

NOTE: For quantity filled, report the unit of issue used when requesting Medicaid prescription reimbursement. Actual selling price shown should be the amount received for the prescription. The selling price for third party prescriptions should be shown as the amount received from the third party plus any co-pay collected from the patient.

Wyoming Pharmacy Cost Report

 Wyoming Medicaid
Provider Number

 Survey Forms by Myers and Stauffer LC
Certified Public Accountants
4123 SW Gage Center Drive, Suite 200
Topeka, Kansas 66604

 Under Contract with the Wyoming Department of Health
Division of Health Care Financing

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER.

Please complete and return by October 12, 1998

Instructions are enclosed. Please call toll-free (800) 255-2309 if you are having difficulty completing this report.

Name of Pharmacy _____ Telephone No. (____) _____

Street Address _____

City _____ State _____ Zip Code _____

DECLARATION BY OWNER AND PREPARER

I declare that I have examined this cost report including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, complete, and in agreement with the related Books or Federal Income Tax Return, except as explained in the Reconciliation. Declaration of preparer (other than owner) is based on all information of which preparer has any knowledge.

Preparer's Signature	Print/Type Name	Title/Position	Date
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Preparer's Signature (other than owner)	Title/Position	Date
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Preparer's Street Address	City and State	Zip	Phone Number
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SECTION IA—PHARMACY ATTRIBUTES

- (a) Type of Ownership:
1. ☐ Individual 3. ☐ Corporation
2. ☐ Partnership 4. ☐ Other—Specify _____
- (b) Location:
- Medical Office Building _____ Shopping Center _____
- Separate or downtown _____ Other (specify) _____
- (c) Ownership Affiliation:
1. ☐ Independent (1-4 Units)
2. ☐ Chain Unit (5 - 14 Units)
3. ☐ Chain Unit 15 or More Units
- (d) Do you dispense in anything other than traditional packaging to long-term care facilities:
1. ☐ Unit dose
2. ☐ Modified Unit dose (Bingo cards)
3. ☐ Both
4. ☐ No unit dose
- (e) Check if you own your building _____
- (f) What percent of total prescriptions filled are delivered? _____
- (g) Are you presently providing home IV or infusion therapies and/or enteral nutrition therapy? _____ Yes ☐ No ☐
- (h) How many hours per week is your pharmacy open? _____
- (i) What is the approximate percentage of the total number of prescriptions dispensed that is third party Rx, including Medicaid Rx? _____
- (j) List the total number of all prescriptions dispensed during the fiscal year as follows:
- New _____ Refill _____ Total _____
- (See Instructions)
- (k) How many years has a pharmacy operated at this location? _____
- (l) If (g) is yes, what is the amount of your sales for those Rx's? _____
- (m) If you checked box 1, 2, or 3 of (d), what percent of the unit dose prescription packaging is:
1. Purchased from manufacturers _____
2. Prepared in the pharmacy _____
- (n) What is the approximate percent of your prescriptions dispensed to long-term care facilities? _____

Section IB – Other Information

Please list any additional information you feel contributes significantly to your cost of filling a prescription. Also, if you have a significant amount of non-retail sales of drugs at cost, please note the amount and if it is included in line (1) on page 2.

Certified Public Accountants

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER.

SECTION IIA -- SALES AND FLOOR SPACE

	Prescription Drugs Only	Total Store Including Prescription Drugs	Line No.
Sales (Excluding Sales Tax).....	_____	_____	(1)
Cost of Goods Sold.....	_____	_____	(2)
Floor Space (Retail area only). Please measure. Do not estimate.	_____ Sq. Ft.	_____ Sq. Ft.	(3)

SECTION IIB -- OVERHEAD EXPENSES

Complete this section by referring to the line numbers in the left columns which correspond to federal income tax return lines.

The following information is from tax/fiscal year ending.....					____/____/____	(4)	
1996, 1997 Tax Form Number					Total Expense	Agency Use Only	Line No.
1040C	1065	1120	1120S				
13	16a	20	14a	Depreciation (This fiscal year only -- not accumulated.....	_____	_____	(5)
23	14	17	12	Taxes (a) Personal Property Taxes Paid.....	_____	_____	(6)
				(b) Real Estate Taxes.....	_____	_____	(7)
				(c) Payroll Taxes.....	_____	_____	(7a)
				(d) Sales.....	_____	_____	(7b)
				(e) State Income Tax (Corporations Only).....	_____	_____	(8)
				(f) Any other taxes, specify each type and amount.....	_____	_____	(9)
20b	13	16	11	Rent (a) Building Rent (See Instructions).....	_____	_____	(10)
20a	13	16	11	(b) Equipment and Other.....	_____	_____	(11)
21	11	14	9	Repairs.....	_____	_____	(12)
15	20	26	19	Insurance (a) Workers Compensation and Employee Medical.....	_____	_____	(13a)
15	20	26		(b) Other.....	_____	_____	(13b)
16a&b	15	18	13	Interest.....	_____	_____	(14)
17	20	26	19	Legal and Professional Fees.....	_____	_____	(15)
27	20	26	19	Dues and Publications -- Rx Department.....	_____	_____	(16)
27	20	26	19	-- Other.....	_____	_____	(17)
9	12	15	10	Bad Debts (This fiscal year only -- not accumulated.....	_____	_____	(18)
		19		Charitable Contributions (Corporations Only).....	_____	_____	(19)
25	20	26	19	Telephone.....	_____	_____	(20)
25	20	26	19	Heat, Water, Lights, and other Utilities (Sewer & Trash).....	_____	_____	(21)
18&22	20	26	19	Operating and Office Supplies (Exclude Rx containers and labels).....	_____	_____	(22)
8	20	23	16	Advertising.....	_____	_____	(23)
27	20	26	19	Rx Computer Expenses (See Instructions).....	_____	_____	(24)
10	20	26	19	Rx Delivery Expenses (See Instructions).....	_____	_____	(25)
27	20	26	19	Rx Containers and Labels(See Instructions).....	_____	_____	(26)
Var	18+	24+	17+	Other Expenses not included elsewhere (attach schedule if necessary)	_____	_____	(27)
	19+	25+	18+	Specify each item and corresponding amount:_____	_____	_____	(28)
	20	26	19	_____	_____	_____	(29)
				Total Overhead Expenses [Add Line (5) through Line (29)].....	_____	_____	(30)

SECTION IIC --PERSONNEL COSTS--List each person separately (except Line 44). Attach schedule if necessary.

	Check If RPh	Estimate Percent of Prescriptions Dispensed By Each RPh	Annual Salaries and/or Drawings	AGENCY USE ONLY	No. Weeks Employed This Fiscal Year	Average Weekly Hours Total Store Including Rx Dept.	Rx Dept. Related Duties Only	Line No
Owners, Individual Proprietors, Partners, & Stockholders.....								(31)
								(32)
								(33)
								(34)
Employee and Relief Pharmacists.....								(35)
								(36)
								(37)
Interns.....								(38)
Total:		100%						(38a)
Other Employee with Time.....	XXX	XXXXXXXXXX						(39)
in Rx Dept. (Including Rx Delivery and Rx Technicians)	XXX	XXXXXXXXXX						(40)
	XXX	XXXXXXXXXX						(41)
	XXX	XXXXXXXXXX						(42)
	XXX	XXXXXXXXXX						(43)
ALL NON-Rx EMPLOYEES.....	XXX	XXXXXXXXXX			XXXXX	XXXXXX	XXXXXX	(44)
TOTALS.....								(45)

SECTION IID --RECONCILIATION WITH TAX RETURN (or Books if multistate operation)

1996, 1997 TAX FORM NUMBER					Column 1 Cost Report Amounts	Column 2 Books or Tax Return Amounts	
1040C	1065	1120	1120S				
28	21	27	20	Total Expenses per Tax Return/Books (Circle one used).....			(46)
				Enter Amount from Line (30).....			(47)
				Enter Amount from Line (45).....			(48)
				Total Expenses per this Cost Report [Add Lines (47) and (48)].....			(49)
				Specify Items with Amounts That Are on Cost Report But Not on Tax Return (or books)			(50)
						(51)
				Specify Items with Amounts That Are on Tax Return (or Books) But Not on This Cost Report.....			(52)
						(53)
				Total [Add Lines (46) - (53)] Column Totals Should be Equal.....			(54)

Survey Date

Wyoming Medicaid
Provider Number

SECTION III---WYOMING PHARMACY PRESCRIPTION CHARGES SURVEY

Survey Forms by Myers and Stauffer LC
Certified Public Accountants

Line Number	Rx Number	Drug Name, Strength	NDC Number				Quantity Filled Use Medicaid Units	Actual Selling Price (amount received)
			Mfr	Drug	Pkg			
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								

Department of Health

Division of Health Care Financing

James D. Shepard, Administrator



JIM GERINGER, GOVERNOR

September 17, 1998

REF: JS-98-337

Dear Pharmacist:

The Division of Health Care Financing is conducting a survey of the acquisition cost of medications and the costs of dispensing prescriptions incurred by Wyoming pharmacists. The survey has the endorsement of the Wyoming Pharmacists Association. The Division has selected the firm of Myers and Stauffer, Certified Public Accountants, to conduct the survey. Myers and Stauffer have extensive experience in the area of pharmacy cost and dispensing fee issues and have conducted many similar surveys, including the 1995 and 1991 Wyoming surveys.

The purpose of the survey is to provide the Division with accurate cost data, which will form a basis for reviewing the current dispensing fees; therefore it is imperative that each of you responds. The survey is designed to measure costs associated with dispensing prescriptions in Wyoming pharmacies.

In order to ensure an accurate and valid measurement of dispensing costs, all forms need to be completed and returned within the allotted time to the firm of Myers and Stauffer. Myers and Stauffer will maintain the confidentiality of all responses. The information provided to them will only appear as aggregate data when released to the State Agency.

The ultimate success of this survey is dependent on the cooperation of all the pharmacy providers. The accuracy of survey results depends on the number of completed surveys returned to the contractor. Should any questions or problems arise, please call Allan Hanson of Myers & Stauffer at 1-800-255-2309.

Your cooperation in completing the survey form and promptly returning it to the contractor is greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Jim Shepard".

Jim Shepard
Administrator

EXHIBIT 3

Wyoming PHARMACIES

Efforts to Promote Participation

- An initial survey letter from the contractor and a letter from the Wyoming Department of Human Services included with the survey forms.
- A fax to association members from the Wyoming Pharmacists Association.
- A second letter from the contractor mailed to all pharmacies not responding by the original deadline.
- Pharmacies telephoned by the contractor encouraging participation.
- Letters to pharmacies requesting additional information on surveys requiring clarification to be usable.
- Second letters to those pharmacies not responding to the first letter requesting additional information.
- Pharmacies telephoned to obtain additional information on surveys submitted.

Myers and Stauffer LC
Certified Public Accountants

4123 SW Gage Center Dr., Suite 200
Topeka, Kansas 66604-1833
785.228.6700
800.255.2309
785.228.6701 (fax)

October 12, 1998

To: Wyoming Pharmacies

Recently you received a Wyoming Pharmacy Cost Survey and a request that you complete and return it to us by October 12, 1998. If you have returned this survey, please accept our thanks for your participation. . It is critical to obtain a minimum number of responses in order to ensure the validity of the survey. If you have not yet completed the survey, please complete and return it to us by October 26, 1998. If you need additional time to complete the forms, please call us.

This pharmacy cost study was initiated by the Wyoming Department of Health for the purpose of determining your cost of filling a prescription. This is being done in accordance with state and federal regulations so that the Medicaid fee you receive might be adjusted by the Department to more accurately reflect the cost of the service you provide. Since the fairness and objectivity of the final results of this cost survey are directly related to the degree of response of the pharmacists in Wyoming, it is very much in your interest to participate in helping to set the Medicaid fee.

Be assured that the information you provide will be kept completely confidential. The only people with access to the individual surveys will be members of our firm.

If you are having difficulty completing the survey form, we will be happy to assist you in any way possible. Please telephone Allan Hansen at 1-800-255-2309 or write to the above address. Also, if you have not yet received the survey forms or have misplaced them, please telephone and we will be glad to send the forms to you.

Thank you for your cooperation and assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allan Hansen".

for
Tim Hull
Project Manager

Myers and Stauffer LC
Certified Public Accountants

4123 SW Gage Center Dr., Suite 200
Topeka, Kansas 66604-1833
785.228.6700
800.255.2309
785.228.6701 (fax)

October 12, 1998

To: Wyoming Pharmacy Chains

Recently you received Wyoming Pharmacy Cost Surveys for all your Wyoming pharmacies and a request that you complete and return them to us by October 12, 1998. It is critical to obtain a minimum number of responses in order to ensure the validity of the survey. If you have returned the surveys, please accept our thanks for your participation. If you have not yet completed the surveys, please complete and return them to us by October 26, 1998. If you need additional time to complete the forms, please call us.

This pharmacy cost study was initiated by the Wyoming Department of Health for the purpose of determining the cost of filling a prescription. This is being done in accordance with state and federal regulations so that the Medicaid fee you receive may be adjusted by the Department to more accurately reflect the cost of the service you provide. Since the fairness and objectivity of the final results of this cost survey are directly related to the degree of response of the pharmacists in Wyoming, it is very much in your interest to participate in helping to set the Medicaid fee.

Be assured that the information you provide will be kept completely confidential. The only people with access to the individual surveys will be members of our firm.

If you need assistance in completing the survey forms, we are happy to help you in any way possible. Please telephone Allan Hansen at 1-800-255-2309 or write to the above address. If you have not received the survey forms or have misplaced them, please call and we will be glad to send the forms to you.

Thank you again for your cooperation and assistance.

Sincerely,



for

Timothy Hull
Project Manager

MYERS AND STAUFFER LC
Certified Public Accountants
4123 SW Gage Center Drive, Suite 200
Topeka, Kansas 66604
WYOMING PHARMACY COST STUDY
Under Contract with the Wyoming Department of Health
For Assistance Call Toll-Free (800) 255-2309

After a preliminary review of the cost report you recently submitted, we have a few questions that will clarify the information you provided. Please answer only the questions marked with a "check" and return this letter to us within one week. A postage paid envelope is enclosed. Thank you for your help and cooperation.

- ☐ 1. Please confirm or revise Line 1, column 1 page 2, and/or line (j), page 1. These two amounts indicate an average selling price per Rx of _____ which varies considerably from the selling price per Rx of _____ indicated on the 50 sample pharmacy prescription charges survey.
- ☐ 2. Please complete/confirm line (3), floor space. Your previous cost report indicated pharmacy area as _____ square feet and total store area as _____ square feet. Please measure rather than estimate as these amounts are used to allocate expenses. Do not include office, waiting, or storage area in column 1. Do not include storage area in column 2.
- ☐ 3. Please provide separate amounts for the following taxes that are included in your total tax expense of _____: real estate tax _____, personal property tax _____, sales tax _____, payroll taxes _____, and other taxes _____.
- ☐ 4. Total utilities expense is _____. Please provide a separate amount for telephone expense: _____.
- ☐ 5. Lines 27, 28, 29. For each expense category included in _____, please identify each expense category and its corresponding amount.
- ☐ 6. Please complete/reconsider lines (31) - (38), "Percent of Prescriptions Dispensed." This should be the percentage of your total prescriptions that were dispensed by each pharmacist during the fiscal year of this report. The column total should be 100%. Per hours shown, the pharmacist on line _____ would fill _____ % of the Rx's.
- ☐ 7. Please complete/confirm lines (31) - (43), "Average Weekly Hours." Report your best estimate of the hours during a typical week that each employee worked in any department in the store, including Rx. Then list hours worked in Rx-related duties only. Non-Rx department hours must be sufficient to handle all duties involved with nonprescription sales.
- ☐ 8. Please reexamine the actual selling prices shown on Section III, the Wyoming prescription charges survey, and confirm the amount shown is the actual price charged and amount received for each prescription shown. If not, please revise and show the actual amount received.

- ☐ 9. Other _____.
- ☐ 10. Please complete/revise lines (31) - (44). These should total to _____ per the salaries shown on your financial statement/tax return. All non-Rx personnel salaries should be shown on line 44.
- ☐ 11. Please complete the reconciliation of the cost survey total expenses to total expenses shown on your tax return/books on page 3, Section IID. If your form of ownership is individual or partnership (question a), the owner's drawings should be shown as a reconciling item.
- ☐ 12. Please reexamine new prescriptions shown on the pharmacy prescription charges survey and confirm that only Wyoming Medicaid, nonprescription OTC, and medical supplies and equipment were excluded from the survey submitted. If other items were excluded, please submit a corrected survey.
- ☐ 13. Please reexamine new prescriptions shown on the pharmacy prescription charges survey and confirm that Wyoming Medicaid, nonprescription OTC, and medical supplies and equipment were excluded from the survey submitted. If these items were not excluded, please submit a corrected survey.
- ☐ 14. Please confirm/revise line(s) 46-54. Line 54, Column 1 should equal line 54, Column 2.
- ☐ 15. Please confirm that the individual listed on line(s) _____ is not an owner or related to owners of this pharmacy.
- ☐ 16. Please confirm or revise line(s) 31 - 34, column 4. The amount shown should be actual owner drawings and not net income. If incorrect, please provide actual owner drawings.
- ☐ 17. Please review line(s) _____. Does a stockholder or related party own the pharmacy building? If you answer yes, ownership costs must be reported rather than rent paid even though rent is reported on your books/tax return, as this is a non-arms-length transaction. Such expenses include depreciation, real estate taxes, repairs, insurance, etc. These ownership costs may be included on Schedule E of your personal tax return.
- ☐ 18. Please confirm line 16. Only Rx dues and publications should be shown. If non-Rx dues and publications, for example, civic clubs or chamber of commerce, are included please show those amounts on line 17.
- ☐ 19. Please confirm/revise line 7a. Payroll Taxes are usually 7-10% of wages and salaries. Payroll taxes shown are _____% of salaries and wages.
- ☐ 20. Please confirm/revise lines (f) and 25, Rx delivery expense. These amounts calculate to an average delivery cost of _____ per prescription delivered. This cost is high compared to other pharmacies.

Myers and Stauffer LC
Certified Public Accountants

4123 SW Gage Center Dr., Suite 200
Topeka, Kansas 66604-1833
785.228.6700
800.255.2309
785.228.6701 (fax)

October 27, 1998

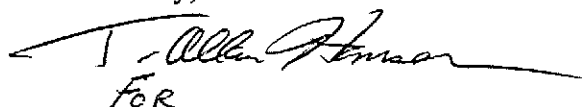
Dear Pharmacy Owner/Manager:

In accordance with our contract with the State of Wyoming to conduct a survey of pharmacy cost data in Wyoming, we are randomly selecting pharmacies for field examination. Your pharmacy has been selected for such an examination. The purpose of the examination is to verify the accuracy of data submitted on the cost report. We hope to substantiate that the survey results provide a reliable basis for determining pharmacy dispensing fees.

The field examinations will be conducted within the pharmacy during the period from November 9, 1998 through November 13, 1998. The examination program has been designed so as to minimize any inconvenience to you. The records that will be needed during the examination are the financial statements, tax returns, prescription records, and work papers which were used in the preparation of your Wyoming pharmacy cost report. The examination will take two to four hours; however we attempt to minimize the time spent with you or your pharmacist.

A member of our staff will contact you by telephone to arrange the specific time, date, and location of the examination. If you have any questions concerning the proposed field examination, please feel free to call us.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Allen Hull", with the word "FOR" written below it.

Tim Hull
Project Manager

FIELD EXAMINATION PROGRAM FOR WYOMING PHARMACIES

Pharmacy Name _____

Pharmacy Address _____

Survey Assigned No. _____

NOTE TO FIELD EXAMINER: Workpapers should be keyed to the related examination step. The scope of each step is determined by the circumstances of the examination and instructions given by the project coordinator and/or project manager. Clearly indicate any unresolved issues on each step. Reread and clarify workpapers before turning in file.

Work
Performed
By _____

1. ARRANGE EXAMINATION DATE

Contact the provider to determine an acceptable examination date. Records the provider should have include: 1) books and accounting records, and/or 2) tax return, 3) any worksheets used to prepare cost study, 4) prescription log sheets and files.

2. RECONCILIATION

Complete a worksheet reconciling total expenses, sales, and cost of goods sold per cost study to such items per books and/or tax return.

3. EXAMINATION OF EXPENSES

Trace in certain individual expense accounts to book or tax return and reconcile any differences. For chain stores determine how warehousing costs were handled on cost report as they should be part of cost of goods sold, and determine allocation procedures for central office costs.

4. ALLOCATIONS - Verify the following:

A. Trace Rx and total sales to books, tax return, or prescription log (may be computerized). If there is no record of prescription sales, take a sample of 20 prescriptions from 5 days during each of 3 months and obtain an average selling price. Multiply this average selling price by total number of prescriptions for the year. The sample should be from fiscal year of the cost report.

B. Floor space - MEASURE. DO NOT ESTIMATE.

C. Labor - Review for reasonableness and inquire about specific duties if necessary.

FIELD EXAMINATION PROGRAM FOR WYOMING PHARMACIES

Pharmacy Name _____

Pharmacy Address _____

Survey Assigned No. _____

5. Rx VOLUME

Work
Performed
By _____

NOTE: Regarding patient confidentiality, some pharmacists may question our authority to see patient records. If so, the pharmacist may read the data from the prescription.

A. Verify the number of Rx's through examination of Rx daily log sheets, Rx card files, or through computerized totals. If these are not available and prescriptions are in numerical order, subtract first prescription of year from the last prescription and estimate refills by taking a sample of two or more days each month. For each day determine the number of refills and calculate a ratio by comparing this amount to total prescriptions filled that day. There may be several sequences for different drug schedules.

B. Verify percent of prescriptions filled by owner pharmacist. A sample from the prescriptions file or a computerized listing may be used.

6. ADDITIONAL INFORMATION

Ensure that all questions raised in the desk review process have been answered.

7. EXIT INTERVIEW

Summarize findings with pharmacist. Take time to answer any questions.

EXHIBIT 8

WYOMING PHARMACIES

Summary of Field Examination Findings

Assigned Number	Exceptions and Comments	Original	Revised	Increase/ (Decrease)
2259	Sales ratio, various labor allocations	\$ 6.14	\$ 6.84	\$ 0.70
4669	No changes due to audit	7.16	7.16	0.00
8287	No changes due to audit	5.21	5.21	0.00
6739	Sales ratio, area ratio, various overhead allocations, number of Rx's	7.00	7.07	0.07
1677	Various overhead allocations	4.18	4.35	0.17
8729	Sales ratio, various overhead and labor allocations	7.06	6.64	(0.42)
1491	Area ratio, various overhead and labor allocations	3.96	4.15	0.19
0112	Sales ratio, area ratio, various overhead allocations	6.86	6.49	(0.37)
7273	Various labor allocations	5.64	5.78	0.14
3712	Sales ratio, various overhead allocations	4.77	4.73	(0.04)
Total Change				\$ 0.44

Total Net Change

Number of increases	5
Number of decreases	3
No Change	<u>2</u>
Total Examined	10

Average net change per pharmacy is \$ 0.44 / 10 = \$0.04

Myers and Stauffer LC
Certified Public Accountants

4123 SW Gage Center Dr., Suite 200
Topeka, Kansas 66604-1833
785.228.6700
800.255.2309
785.228.6701 (fax)

November 18, 1998

Dear Pharmacist:

We would like to thank you for letting us conduct the recent field examination at your pharmacy in regard to the Wyoming Pharmacy Cost Survey. Your cooperation with us has been greatly appreciated.

A computer-generated report detailing the results of your pharmacy will be sent to you upon completion of the Cost Survey for the Wyoming Department of Health.

If you have any further questions about the field examination or about the survey, please feel free to contact us.

Sincerely,

T. Allan Hansen

EXHIBIT 10**(2 Pages)****Wyoming PHARMACIES****Algorithm For Applied Rx Labor**

Upper limit	=	\$2.24/Rx + 9,021 for line 45 NTE \$70,000, \$20,000 for line 47
Lower limit	=	\$2.24/Rx + 20,696 for line 45 NTE \$70,000, 10,000 for line 47
$\%_R$	=	Percent of time spent in the prescription department indicated in column 4 for lines 47-48 of Schedule A.
S_x	=	Total salaries, wages, payroll taxes, and benefits indicated in column 1, line x of Schedule A where $x \in \{45-48\}$.
F	=	The number of full time equivalent employees for line 47 of Schedule A.
$\%_A$	=	$\frac{2(\%_R)}{1 + \%_R}$
$\%_O$	=	Percent of total prescriptions filled by the owner pharmacist(s) indicated in column 3, line 45 of Schedule A.
A_x	=	Allocated Rx cost for line x where $x \in \{45-48\}$.
Rx	=	Number of prescriptions dispensed from line (n) of the individual cost reports.
TALC	=	Total Allocated Labor Cost
PAL	=	Pre-Allocated Labor
SR	=	Prescription sales divided by total sales.
MSR	=	$\frac{SR(.3)}{.1 + SR(.2)}$ = Modified Sales Ratio
PAL	=	$\frac{A_{45}}{\%_A} + \frac{A_{46}}{\%_A} + \frac{A_{47}}{\%_R} + \frac{A_{48}}{\%_R} + S_{49}$

EXHIBIT 10**(2 Pages)**

Wyoming PHARMACIES
Algorithm For Applied Rx Labor

Allocated Costs:

Line 45:

$$A = (\%_A) (S) \text{ subject to:}$$

$$(\%_A) (S) \geq (\$2.23) (Rx) (\%_O) + 9,021$$

$$\text{and } (\%_A) (S) \leq (\$2.24) (Rx) (\%_O) + 20,696$$

$$\text{and not to exceed } \$70,000$$

Line 46:

$$A = (\%_A) (S)$$

Line 47:

$$A = (\%_R) (S) \text{ subject to:}$$

$$(\%_R) (S) \geq (\$10,000) (\%_R) (F)$$

$$\text{and } (\%_R) (S) \leq (\$20,000) (\%_R) (F)$$

Line 48:

$$A = (\%_R) (S)$$

Total Allocated Labor Cost:

$$TALC = A_{45} + A_{46} + A_{47} + A_{48} \text{ subject to:}$$

$$A_{45} + A_{46} + A_{47} + A_{48} \leq MSR (PAL)$$

EXHIBIT 11

Wyoming PHARMACIES
Percent of Allocated Labor Allowed
Given a Specified Rx Sales Ratio

<u>Rx Sales Ratio</u>	<u>Sales Ratio X 0.3 Divided by 0.1 Plus (Sales Ratio X 0.2)</u>
5%	13.6%
10%	25.0%
15%	34.6%
20%	42.9%
25%	50.0%
30%	56.3%
35%	61.8%
40%	66.7%
45%	71.1%
50%	75.0%
55%	78.6%
60%	81.8%
65%	84.8%
70%	87.5%
75%	90.0%
80%	92.3%
85%	94.4%
90%	96.4%
95%	98.3%
100%	100.0%

EXHIBIT 12**WYOMING PHARMACIES****Table of Inflation Factors***

<u>Fiscal Year End</u>	<u>Midpoint Date</u>	<u>Midpoint Index</u>	<u>12/31/98 Terminal Month Index</u>	<u>Inflation Factor</u>
9/30/98	3/31/98	162.2	164.1	1.012
8/31/98	2/28/98	161.9	164.1	1.014
7/31/98	1/31/98	161.6	164.1	1.015
6/30/98	12/31/97	161.3	164.1	1.017
5/31/98	11/30/97	161.5	164.1	1.016
4/30/98	10/31/97	161.6	164.1	1.015
3/31/98	9/30/97	161.2	164.1	1.018
2/28/98	8/31/97	160.8	164.1	1.021
1/31/98	7/31/97	160.5	164.1	1.022
12/31/97	6/30/97	160.3	164.1	1.024
11/30/97	5/31/97	160.1	164.1	1.025
10/31/97	4/30/97	160.2	164.1	1.024
9/30/97	3/31/97	160.0	164.1	1.026
8/31/97	2/28/97	159.6	164.1	1.028
7/31/97	1/31/97	159.1	164.1	1.031
6/30/97	12/31/96	158.6	164.1	1.035
5/31/97	11/30/96	158.6	164.1	1.035
4/30/97	10/31/96	158.3	164.1	1.037
3/31/97	9/30/96	157.8	164.1	1.040
2/28/97	8/31/96	157.3	164.1	1.043
1/31/97	4/31/96	157.0	164.1	1.045
12/31/96	6/30/96	156.7	164.1	1.047

*Factors reflect changes from the middle of the reporting period to December 31, 1998.

EXHIBIT 13

WYOMING PHARMACIES

Calculation of Container Cost Per Rx

<u>Dry</u>	<u>Utilization</u>	<u>Cost</u>	<u>Extended</u>
6 dr.	10%	\$ 0.075	\$ 0.0075
8 dr.	25%	0.087	0.0218
12 dr.	15%	0.110	0.0165
16 dr.	15%	0.125	0.0187
20 dr.	15%	0.165	0.0248
30 dr.	10%	0.202	0.0202
40 dr.	10%	0.240	<u>0.0240</u>
			\$ 0.1336
<u>Liquid</u>			
2 oz.	10%	0.249	0.0249
3 oz.	5%	0.294	0.0147
4 oz.	60%	0.339	0.2036
6 oz.	10%	0.388	0.0388
8 oz.	10%	0.443	0.0443
16 oz.	5%	0.592	<u>0.0296</u>
			\$ 0.3560
<u>Dry</u>	0.1336	X 85%	= 0.1135
<u>Liquid</u>	0.3560	X 15%	= <u>0.0534</u>
	Average Container Cost/Rx		= 0.167

EXHIBIT 14

WYOMING PHARMACIES

Listing of Variables Used in the Regression

Independent Variables

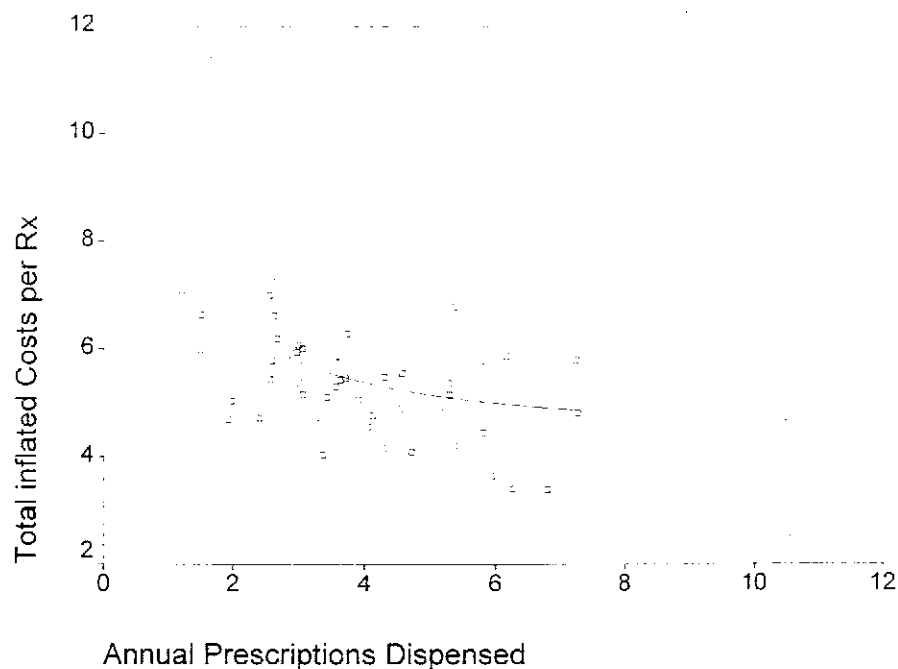
TOTSALES	Total sales reported by the store. ¹
NONRXSAL	Nonprescription sales. ¹
INDIV	Individual proprietorship.
PARTN	Partnership.
CORP	Corporation.
MED_BLDG	Pharmacy located in a medical office building.
INDEP	Independent with one to four units.
OWN	Owns building.
DELPER	Percentage of total prescriptions that were delivered.
TPN	Provides home intravenous or infusion therapy and/or enteral nutrition services.
HRSOPEN	Hours open per week.
PAR3PER	Percent of total prescriptions which are third party.
TOTRXVOL	Total prescriptions dispensed by pharmacy during its fiscal year. ¹
MEDVOL	Number of Medicaid prescriptions. ¹
TOTAREA	Total store area. ¹
SR	Prescription sales divided by total sales.
PEROWNRX	Percent of prescriptions filled by owner pharmacists.
FYE	Inflation factor used to inflate costs.
UNIDOS	Dispenses unit dose prescriptions.
XCDUNDOS	Dispenses modified unit dose (bingo card) prescriptions.
MEDPER	Percent of total prescriptions that are Medicaid.
NONMED	Total prescription volume minus Medicaid volume. ¹
RECIPMED	Reciprocal of Medicaid Volume times 10 ⁴ .
URBAN	Pharmacy is located in an urban area.

Dependent Variables

INTCRX	Total inflated costs per prescription.
INTRXC	Total inflated prescription costs. ²
INTOTLAB	Inflated total labor costs allocated. ²
INTOTOH	Inflated total overhead costs allocated. ²
TOTEXP	Total expenses reported by the pharmacy. ²
INLABRX	Inflated labor cost per prescription.
INOHRX	Inflated overhead cost per prescription.
TOTLAB	Total labor costs allocated. ²
TOTOH	Total overhead costs allocated. ²

¹ In the regression, these variables are in ten thousands.² In the regression, these variables are in thousands.

Plot of INTCRX with TOTRXVOL



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
INTCRX	56	3.39	11.47	5.6629	1.3897
TOTRXVOL	56	1.20890	10.52240	4.1505357	2.0210622
Valid N (listwise)	56				

Model Summary

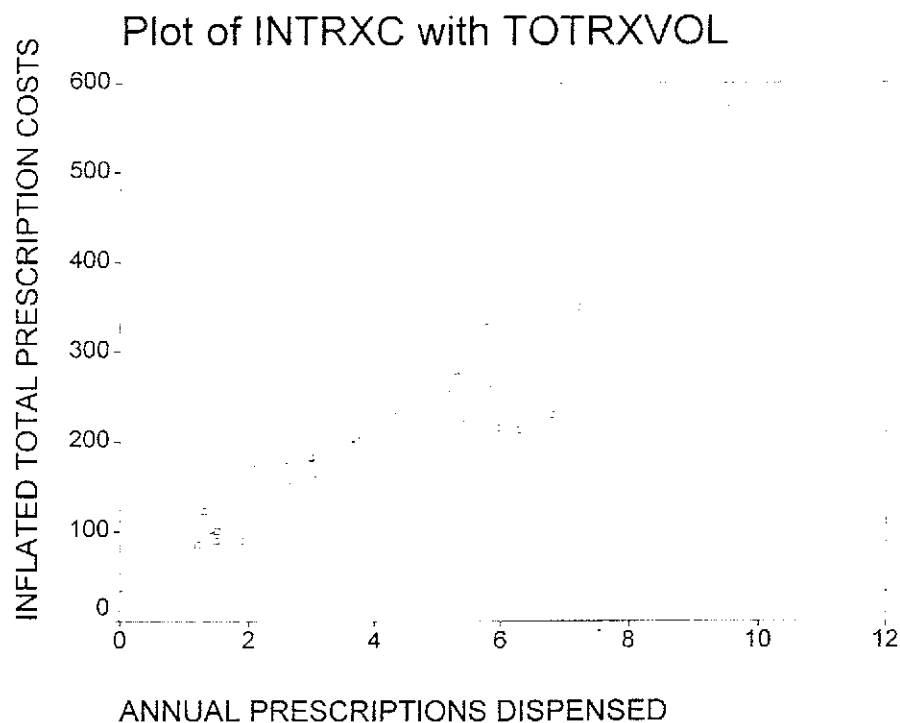
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.424 ^a	.180	.165	1.2446

a. Predictors: (Constant), TOTRXVOL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.716	.383		17.550	.000
	TOTRXVOL	-.286	.083	-.424	-3.445	.001

a. Dependent Variable: TCPERRX



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
INTRXC	56	85.76000	530.74400	223.18021	103.114662
TOTRXVOL	56	1.20890	10.52240	4.1505357	2.0210622
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901 ^a	.811	.808	45.1911552

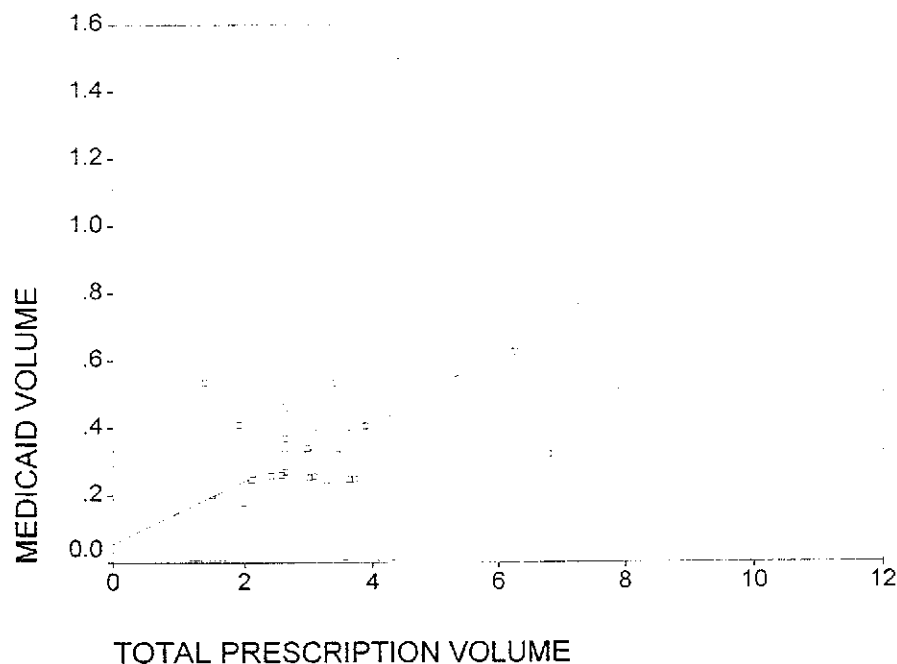
a. Predictors: (Constant), TOTRXVOL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	32.429	13.895		2.334	.023
	TOTRXVOL	45.958	3.015	.901	15.243	.000

a. Dependent Variable: INTRXC

Plot of MEDVOL with TOTRXVOL



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MEDVOL	56	.00000	1.43160	.4437429	.3414998
TOTRXVOL	56	1.20890	10.52240	4.1505357	2.0210622
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553 ^a	.306	.293	.2871463

a. Predictors: (Constant), TOTRXVOL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.589E-02	.088		.633	.529
	TOTRXVOL	9.345E-02	.019	.553	4.878	.000

a. Dependent Variable: MEDVOL

Employee Pharmacist Salary Regression

Model Summary

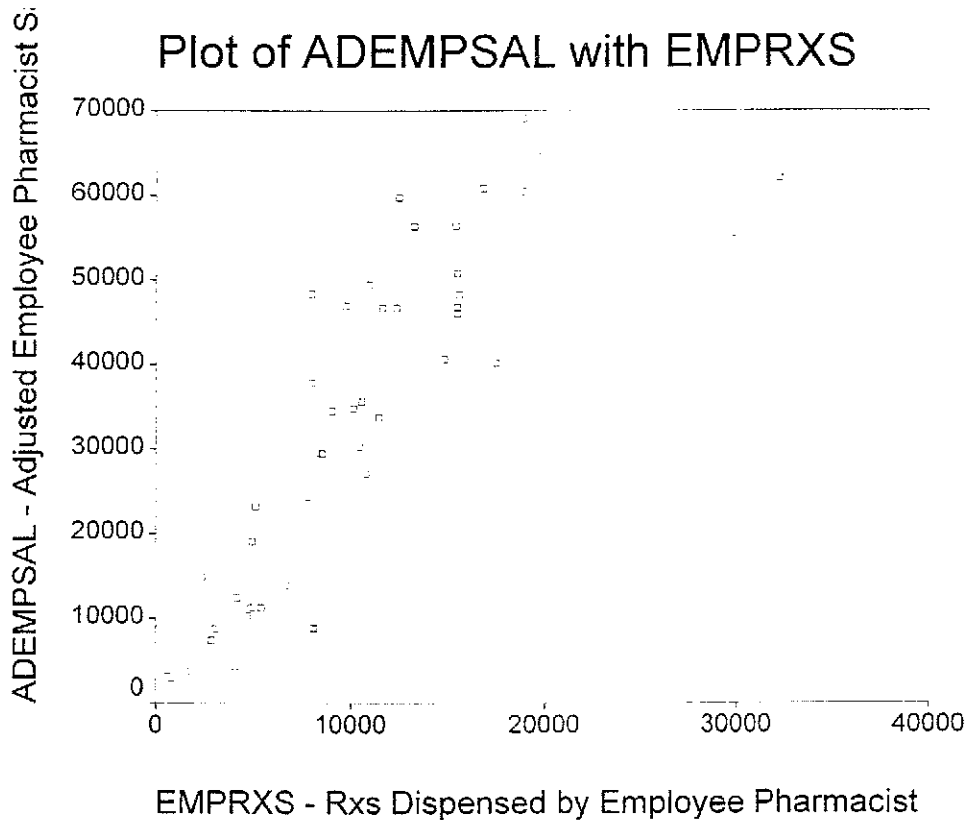
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.808 ^a	.653	.646	11,674.74

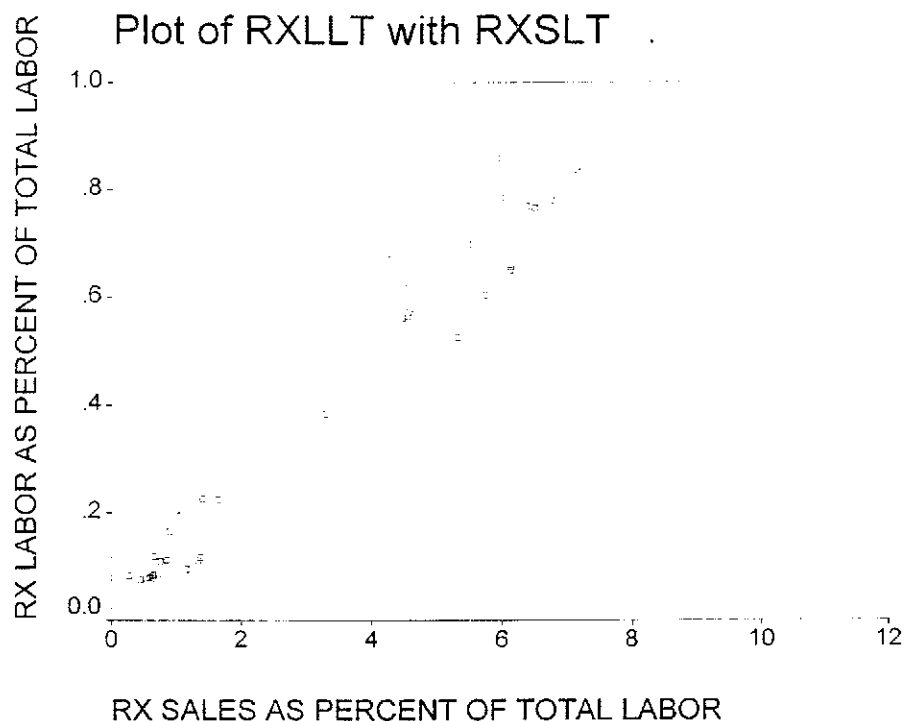
a. Predictors: (Constant), EMPRXS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9021.120	3149.317		2.864	.006
	EMPRXS	2.240	.241	.808	9.309	.000

a. Dependent Variable: ADEMPALS





Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RXLLT	56	.076	.964	.52875	.31453
RXSLT	56	.269	10.736	4.23327	2.76223
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.926 ^a	.858	.855	.11967

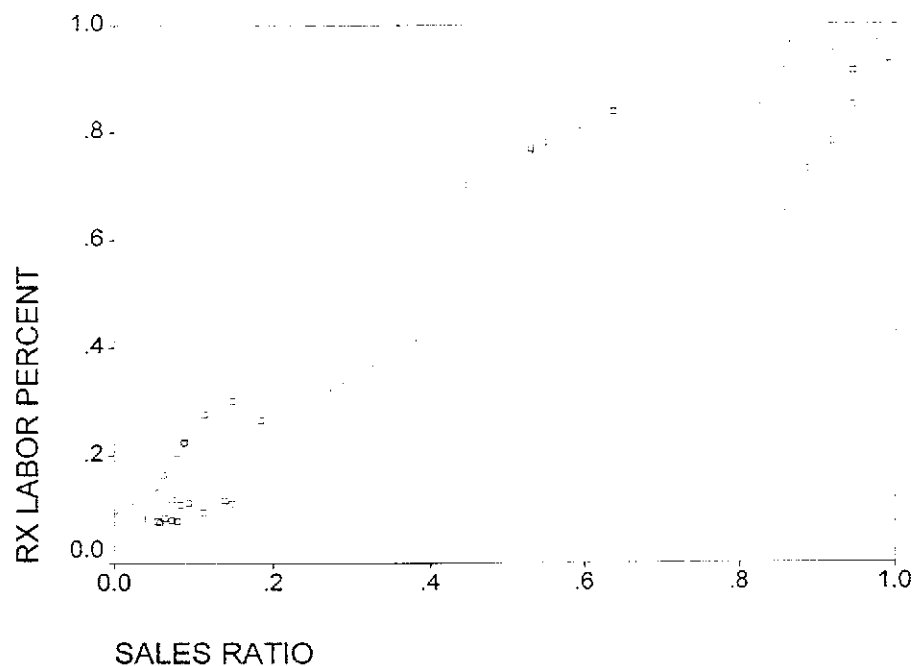
a. Predictors: (Constant), RXSLT

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.229E-02	.029		2.794	.007
	RXSLT	.105	.006	.926	18.054	.000

a. Dependent Variable: RXLLT

Plot of RXLLT with SR



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RXLLT	56	.076	.964	.52875	.31453
SR	56	.036	.989	.51609	.33073
Valid N (listwise)	56				

Model Summary

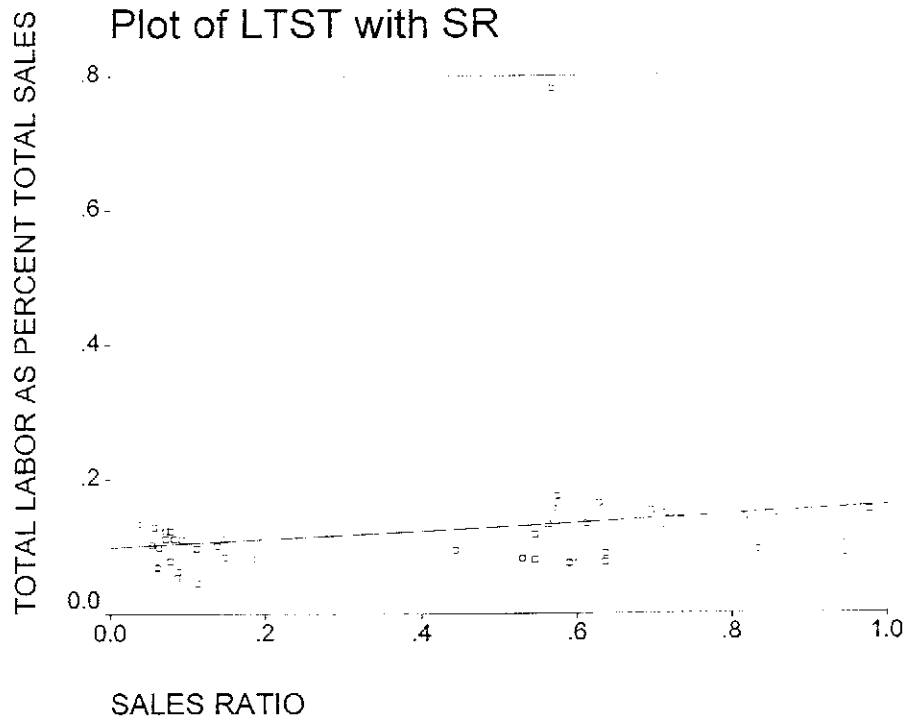
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892 ^a	.796	.792	.14344

a. Predictors: (Constant), SR

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.091E-02	.036		2.543	.014
	SR	.848	.058	.892	14.507	.000

a. Dependent Variable: RXLLT



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LTST	56	.05	.78	.1301	9.535E-02
SR	56	.036	.989	.51609	.33073
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.212 ^a	.045	.027	9.405E-02

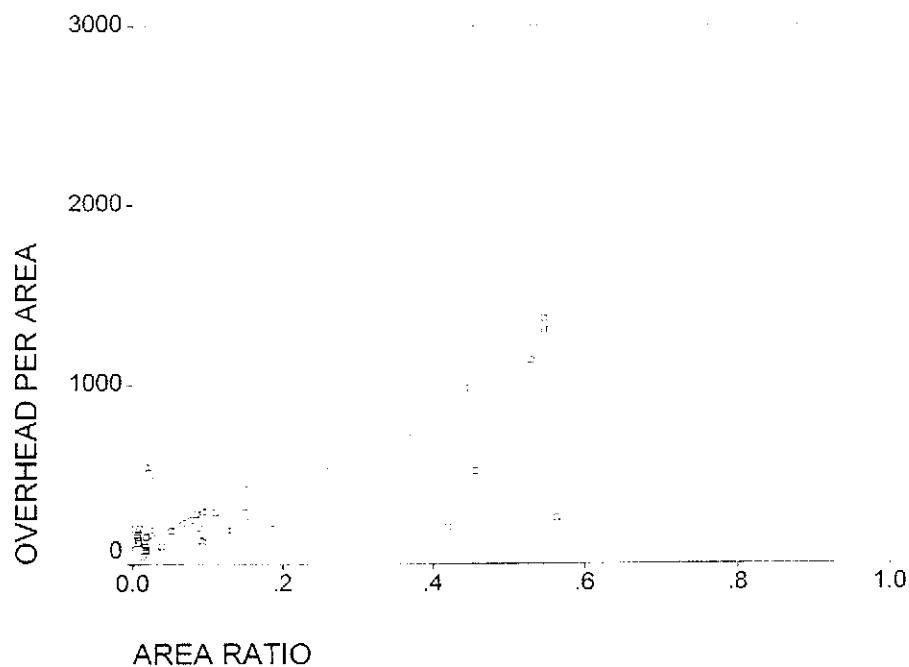
a. Predictors: (Constant), SR

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.865E-02	.023		4.208	.000
	SR	6.100E-02	.038	.212	1.591	.117

a. Dependent Variable: LTST

Plot of OHPERAR with AR



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
OHPERAR	56	42.71	2794.91	579.5424	658.0256
AR	56	.007	.888	.21779	.24237
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.819 ^a	.670	.664	381.3218

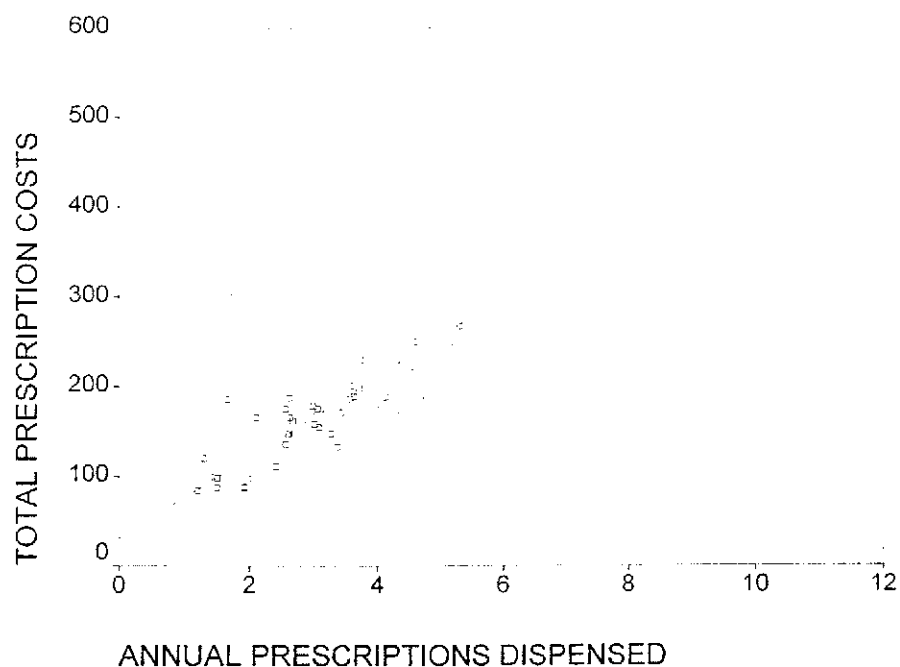
a. Predictors: (Constant), AR

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	95.463	68.783		1.388	.171
	AR	2222.733	212.140	.819	10.478	.000

a. Dependent Variable: OHPERAR

Plot of TRXCOSTS with TOTRXVOL



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TRXCOSTS	56	83.91400	518.30500	218.02193	101.145372
TOTRXVOL	56	1.20890	10.52240	4.1505357	2.0210622
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.900 ^a	.811	.807	44.3900218

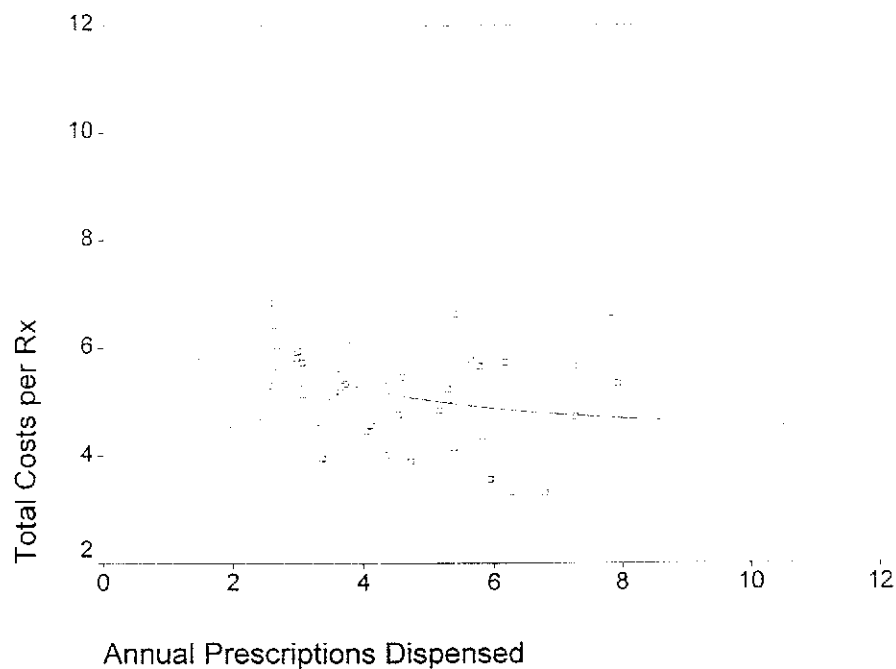
a. Predictors: (Constant), TOTRXVOL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	30.974	13.649		2.269	.027
	TOTRXVOL	45.066	2.962	.900	15.217	.000

a. Dependent Variable: TRXCOSTS

Plot of TCPERRX with TOTRXVOL



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TCPERRX	56	3.31	11.23	5.5288	1.3620
TOTRXVOL	56	1.20890	10.52240	4.1505357	2.0210622
Valid N (listwise)	56				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.424 ^a	.180	.165	1.2446

a. Predictors: (Constant), TOTRXVOL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.716	.383		17.550	.000
	TOTRXVOL	-.286	.083	-.424	-3.445	.001

a. Dependent Variable: TCPERRX

EXHIBIT 16

**WYOMING PHARMACIES
LIST OF URBAN ZIP CODES**

Zip Code	County
82001	Laramie
82007	Laramie
82009	Laramie
82601	Natrona
82604	Natrona
82605	Natrona
82609	Natrona

EXHIBIT 17**Wyoming PHARMACIES****Explanation of Schedule A Allocation Codes**

<u>Code</u>	<u>Explanation of Allocations</u>
A	100% allocation to prescription costs.
B	Ratio of prescription sales to total sales.
C	1.5 times the ratio of prescription area to total store area not to exceed the sales ratio.
D	<u>Line 45</u> : Total salaries and benefits times adjusted percent of prescription time* limited to that amount greater than or equal to \$2.24 times the total prescriptions filled by the owner pharmacist(s) plus \$9,021 and less than or equal to \$2.24 times the number of prescriptions filled by the owner pharmacist(s) plus \$20,696, not to exceed \$70,000.
E	<u>Line 47</u> : Total salaries and benefits times the reported percent of prescription time ($\%_R$) limited to that amount greater than or equal to \$10,000 times $\%_R$ times the full time equivalent factor and less than or equal to \$20,000 times $\%_R$ times the full time equivalent factor.
F	<u>Line 48</u> : Total salaries and benefits times the reported percent of prescription time ($\%_R$).
G	<u>Line 46</u> : Total salaries and benefits times the adjusted percent of prescription time ($\%_A$)*.
H	<u>Line 26</u> : Total number of prescriptions dispensed times \$.167 per prescription.

* Adjusted percent of prescription time ($\%_A$) is computed by taking the percent of Rx Time (Rx Time divided by Total Time) and multiplying this by two. This figure is then divided by one plus the percent of Rx time.

17:10:57

ALLOCATED PHARMACY COSTS/PRESCRIPTION
SCHEDULE A

12/19/98

PAGE 1

ASSIGNED NUMBER	FISCAL YEAR END	TOTAL RXS	SALES	RX 958,250	TOTAL 1,072,020	RATIO 0.894
5612	06/30/98	45,520	COST GOODS SOLD	810,640	834,622	0.971
			FLOOR SPACE	295	1,588	0.186

***** EXPENSE STATEMENT *****

LINE DESCRIPTION	ORIGINAL	CODE	FACTOR	ALLOCATED RX COST
5 DEPRECIATION	4,220	C	0.279	1,177
6 PERSONAL PROPERTY TAX	4,691	B	0.894	4,194
7 REAL ESTATE TAX	0	C	0.279	0
9 OTHER TAXES	0	B	0.894	0
10 RENT - BUILDING	43,500	C	0.279	12,137
11 RENT - EQUIPMENT AND OTHER	0	B	0.894	0
12 REPAIRS	7,655	C	0.279	2,136
13 INSURANCE	8,542	B	0.894	7,637
14 INTEREST	6,679	B	0.894	5,971
15 LEGAL AND PROFESSIONAL FEES	2,450	B	0.894	2,190
16 RX - DUES AND PUBLICATIONS	500	A	1.000	500
17 OTHER DUES AND PUBLICATIONS	0	B	0.894	0
18 BAD DEBTS	0	K	0.000	0
20 TELEPHONE	3,726	B	0.894	3,331
21 HEAT, WATER, LIGHTS	5,620	C	0.279	1,568
22 OPERATING AND OFFICE SUPPLIES	3,219	B	0.894	2,878
23 ADVERTISING	7,690	K	0.000	0
24 RX - COMPUTER EXPENSES	2,420	A	1.000	2,420
25 RX - DELIVERY EXPENSES	0	A	1.000	0
26 RX - CONTAINERS AND LABELS	0	H	0.167	7,602
27 OTHER	526	C	0.279	147
28 OTHER	0	A	1.000	0
29 OTHER	9,678	B	0.894	8,652

TOTAL ALLOCATED RX OVERHEAD

62,540

	SALARIES		%	% RX	
	BENEFITS	CODE	RXS	TIME	
45 OWNER LICENSED PHARMACIST	56,126	D	25	94	46,187
46 EMPLOYEE PHARMACISTS	82,612	G	75	100	82,612
47 OWNER NOT LICENSED PHARMACIST	5,660	E		100	10,000
48 ALL OTHER RX EMPLOYEES	46,000	F		75	34,500
49 ALL OTHER EMPLOYEES	13,100				

SALES ADJUSTMENT FOR LABOR

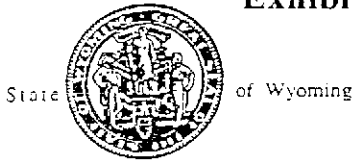
TOTAL ALLOCATED LABOR COST

173,299

TOTAL ALLOCATED COST (OVERHEAD AND LABOR)

235,839

	OVERHEAD	LABOR	TOTAL
COST PER RX	1.37	3.81	5.18
INFLATED COST PER RX	1.39	3.87	5.26



Division of Health Care Financing

James D. Shepard, Administrator

JIM GERINGER, GOVERNOR

October 22, 1998

JS-98-374

Dear Pharmacist:

In conjunction with the Wyoming Medicaid Dispensing Fee Survey, a study is being conducted of prescription drug acquisitions costs. Your pharmacy has been selected to participate in this study.

For this study we require a copy of the following information:

- All drug purchase invoices from your wholesale drug supplier(s) for the dates November 1, 1997 through November 30, 1997.
- All invoices for direct purchases from brand name as well as generic pharmaceutical manufacturers and/or suppliers for the dates November 1, 1997 through November 30, 1997.
- The due date for submission of invoices included in the survey sample is November 17, 1998. Data should be submitted to:

Myers and Stauffer LC
Certified Public Accountants
4123 SW Gage Center Drive, Suite 200
Topeka, KS 66604-1833

The submitted documents will not be returned to you, so we do suggest you send copies instead of originals. If you have any questions regarding the sample data requested, please contact Allan Hansen of Myers and Stauffer at 1-800-255-2309.

Thank you for your assistance in the Dispensing Fee survey as well as in this study.

Sincerely,

A handwritten signature in cursive script that reads "Jim Shepard".

Jim Shepard
Administrator

JSyjs

Myers and Stauffer LC
Certified Public Accountants

4123 SW Gage Center Dr., Suite 200
Topeka, Kansas 66604-1833
785.228.6700
800.255.2309
785.228.6701 (fax)

November 18, 1998

Dear Pharmacist:

Under our contract to conduct a dispensing fee survey for the state of Wyoming, we are also conducting a study of prescription drug acquisition costs. We recently sent you a letter from the Wyoming Department of Health requesting you to send us copies of your drug purchase invoices for one month. A copy of the letter from the Administrator of the Division of Health Care Financing, Wyoming Department of Health is attached. To date, we have not received the invoices from your store. Please send copies of the requested invoices as soon as possible. If there is a reason you cannot obtain and send the invoices for your store, please call me.

If you have any questions regarding the survey of dispensing or acquisition costs, please call me at the above telephone number.

Sincerely,

Allan Hansen

Enclosure

WYOMING PHARMACIES
EXHIBIT 21
DRUGS INCLUDED IN THE ESTIMATED ACQUISITION COST STUDY

NDC Number	Drug Description	NDC Number	Drug Description
00310040260	ACCOLATE	00378041701	BUMETANIDE
00071053223	ACCUPRIL	00087081941	BUSPAR
00071053023	ACCUPRIL	00087081841	BUSPAR
00071053523	ACCUPRIL	59772704601	CAPTOPRIL
00093015010	ACETAMINOPHEN W/CODEINE	59772704501	CAPTOPRIL
00228200196	ACETAMINOPHEN W/CODEINE	00228214310	CARBAMAZEPINE
00472141916	ACETAMINOPHEN W/CODEINE	00228214396	CARBAMAZEPINE
60432024516	ACETAMINOPHEN W/CODEINE	00258358701	CARBAMAZEPINE
00026884151	ADALAT CC	60432020216	CARBINOXAMINE COMPOUND
00026885151	ADALAT CC	00472073331	CARDEC-DM
58521003201	ADDERALL	00472073116	CARDEC-DM
59930156001	ALBUTEROL	00364727756	CARDEC-DM
59930156002	ALBUTEROL	00378761006	CEFACLO
00172439018	ALBUTEROL	00378725001	CEFACLO
00172439019	ALBUTEROL	00378760206	CEFACLO
59930151504	ALBUTEROL SULFATE	00378760402	CEFACLO
59930150008	ALBUTEROL SULFATE	00173038742	CEFTIN
00093066116	ALBUTEROL SULFATE	00087771864	CEFZIL
59930151005	ALBUTEROL SULFATE	00087771964	CEFZIL
49502069703	ALBUTEROL SULFATE	00087772060	CEFZIL
49502069760	ALBUTEROL SULFATE	00093314705	CEPHALEXIN
59930150008	ALBUTEROL SULFATE	00003087460	CEPHALEXIN
59930150006	ALBUTEROL SULFATE	00332314713	CEPHALEXIN
59762371903	ALPRAZOLAM	00026851351	CIPRO
59762372003	ALPRAZOLAM	00026851251	CIPRO
00025542131	AMBIEN	00085045803	CLARITIN
00025540131	AMBIEN	00085061202	CLARITIN
00781148710	AMITRIPTYLINE HCL	00085063501	CLARITIN-D 12 HOUR
00378262510	AMITRIPTYLINE HCL	00085064001	CLARITIN-D 24 HOUR
00093226801	AMOXICILLIN	00093083201	CLONAZEPAM
00093310905	AMOXICILLIN	00093083301	CLONAZEPAM
00093415580	AMOXICILLIN	00378015201	CLONIDINE HCL
00093310705	AMOXICILLIN	00378015210	CLONIDINE HCL
00332415534	AMOXICILLIN	51672127506	CLOTRIMAZOLE
00332415034	AMOXICILLIN	00078012705	CLOZARIL
55953071670	AMOXICILLIN	00078012706	CLOZARIL
00029600822	AMOXIL	00078012605	CLOZARIL
00029600922	AMOXIL	00888033000	COMPOUND DRUG 00
00029600922	AMOXIL	00056017270	COUMADIN
00029600822	AMOXIL	00056017670	COUMADIN
00029600732	AMOXIL	00056017070	COUMADIN
00029600632	AMOXIL	00056016970	COUMADIN
00781107801	ATENOLOL	00056017290	COUMADIN
00597008214	ATROVENT	00006095258	COZAAR
00597008218	ATROVENT	00364234801	CYCLOBENZAPRINE HCL
00029608751	AUGMENTIN	00378075101	CYCLOBENZAPRINE HCL
00029609251	AUGMENTIN	00025138131	DAYPRO
00029608012	AUGMENTIN	00075245201	DDAVP
00029608612	AUGMENTIN	00009019302	DELTASONE
00002314460	AXID	00074621513	DEPAKOTE
00075006037	AZMACORT	00074621413	DEPAKOTE
00364231201	BACLOFEN	00074621413	DEPAKOTE
00172409660	BACLOFEN	00074621513	DEPAKOTE
00029152522	BACTROBAN	00074621213	DEPAKOTE
00029152525	BACTROBAN	00074621453	DEPAKOTE
49884016501	BENZTROPINE MESYLATE	00074611413	DEPAKOTE SPRINKLE
00074258660	BIAXIN	00007351315	DEXEDRINE
00074316313	BIAXIN	00007351920	DEXEDRINE
00074318813	BIAXIN	00049350079	DIFLUCAN
00074336860	BIAXIN	00071036224	DILANTIN
00074316350	BIAXIN	00071036224	DILANTIN
50486007823	BRONCHO SALINE	00071036224	DILANTIN
00378037001	BUMETANIDE	00071000724	DILANTIN

WYOMING PHARMACIES
EXHIBIT 21
DRUGS INCLUDED IN THE ESTIMATED ACQUISITION COST STUDY

NDC Number	Drug Description	NDC Number	Drug Description
00071036232	DILANTIN	00781176410	IMIPRAMINE HCL
00071221420	DILANTIN-125	00781176601	IMIPRAMINE HCL
00781240801	DOCUSATE SODIUM	00054840211	IPRATROPIUM BROMIDE
00378312501	DOXEPIN HCL	49502068503	IPRATROPIUM BROMIDE
00008090901	DURACT	00085078701	K-DUR
50458003305	DURAGESIC	00085078701	K-DUR
50458003405	DURAGESIC	00245004111	KLOR-CON 10
00008070401	EFFEXOR	00173064255	LAMICTAL
00008078101	EFFEXOR	00173024275	LANOXIN
60951060285	ENDOCET	00173024975	LANOXIN
00093009001	EPITOL	00173024255	LANOXIN
00074632013	ERY-TAB	00081024275	LANOXIN
00555044522	ERYTHROMYCIN W/SULFISOXAZOLE	00173024955	LANOXIN
00007401020	ESKALITH CR	00081024255	LANOXIN
00173045301	FLONASE	00045152550	LEVAQUIN
00062154002	FLOXIN	00689111001	LEVOXYL
00006093658	FOSAMAX	00689111801	LEVOXYL
00006093631	FOSAMAX	00071015523	LIPITOR
00378021610	FUROSEMIDE	00008251402	LO/OVRAL-28
00378020810	FUROSEMIDE	00002513648	LORABID
00536384110	FUROSEMIDE	00378045701	LORAZEPAM
00378023201	FUROSEMIDE	00378032101	LORAZEPAM
00781196610	FUROSEMIDE	50474090916	LORTAB
00172290880	FUROSEMIDE	00083006330	LOTENSIN
00378020801	FUROSEMIDE	00085092402	LOTRISONE
00378021601	FUROSEMIDE	00085092401	LOTRISONE
00054429931	FUROSEMIDE	00032420501	LUVOX
00378023205	FUROSEMIDE	00149071001	MACROBID
00536384101	FUROSEMIDE	00089081521	MAXAIR AUTOHALER
00047008420	GEMFIBROZIL	59762374001	MEDROXYPROGESTERONE ACETATE
00047008430	GEMFIBROZIL	43567053107	METHYLPHENIDATE HCL
24208058060	GENTAMICIN SULFATE	43567053007	METHYLPHENIDATE HCL
61314063305	GENTAMICIN SULFATE	43567053112	METHYLPHENIDATE HCL
00087606005	GLUCOPHAGE	43567056207	METHYLPHENIDATE HCL
00087606005	GLUCOPHAGE	43567053012	METHYLPHENIDATE HCL
00049155066	GLUCOTROL XL	00182117301	METHYLPHENIDATE HCL
38245038110	GLYBURIDE MICRONIZED	00781137101	METOPROLOL TARTRATE
00009344901	GLYNASE	00378003201	METOPROLOL TARTRATE
50111038501	GUAIFENESIN/PHENYLPROP	00078031190	MIACALCIN
58177020504	GUAIFENEX LA	00031573064	MICRO-K 10
58177088007	HISTINEX DM	00062141101	MICRONOR
58177087707	HISTINEX HC	00045044816	MOTRIN
00002871501	HUMULIN 70/30	38245015810	MULTIVITAMINS W/FLUORIDE
00002831501	HUMULIN N	00364737454	NEOMYCIN/POLYMYXIN/HCL
00002821501	HUMULIN R	00071080524	NEURONTIN
00005375234	HYDROCHLOROTHIAZIDE	00071080524	NEURONTIN
00172208380	HYDROCHLOROTHIAZIDE	00071080624	NEURONTIN
52544034905	HYDROCODONE W/ACETAMINOPHEN	00131220937	NIFEREX-PN
00406035705	HYDROCODONE W/ACETAMINOPHEN	00172213060	NITROFURANTOIN MACROCRYSTAL
52544050301	HYDROCODONE W/ACETAMINOPHEN	00071057013	NITROSTAT
52544038501	HYDROCODONE W/ACETAMINOPHEN	00089022110	NORFLEX
00254359235	HYDROCODONE W/ACETAMINOPHEN	00364250901	NORTRIPTYLINE HCL
52544038701	HYDROCODONE W/ACETAMINOPHEN	00069153066	NORVASC
52544034901	HYDROCODONE W/ACETAMINOPHEN	00069153068	NORVASC
00781160605	HYDROCODONE W/ACETAMINOPHEN	23317016330	NYSTATIN
00074380613	HYTRIN	60432053760	NYSTATIN
00074380713	HYTRIN	00472132002	NYSTATIN
00364213705	IBUPROFEN	00062190315	ORTHO TRI-CYCLEN
59762738002	IBUPROFEN	00062178115	ORTHO-NOVUM
59762737902	IBUPROFEN	50111045601	OXYBUTYNIN CHLORIDE
00085411003	IMDUR	50111045603	OXYBUTYNIN CHLORIDE
00781176401	IMIPRAMINE HCL	00029321120	PAXIL
00781176610	IMIPRAMINE HCL	00029321213	PAXIL

WYOMING PHARMACIES
EXHIBIT 21
DRUGS INCLUDED IN THE ESTIMATED ACQUISITION COST STUDY

NDC Number	Drug Description	NDC Number	Drug Description
00029321013	PAXIL	00029485120	RELAFEN
00029321113	PAXIL	00029485220	RELAFEN
00029321120	PAXIL	50458030006	RISPERDAL
00029321313	PAXIL	50458032006	RISPERDAL
53014025001	PEDIAPRED	50458030006	RISPERDAL
00006096358	PEPCID	50458033006	RISPERDAL
00006096331	PEPCID	00083000330	RITALIN
00008021201	PHENERGAN	00083000730	RITALIN
00008049801	PHENERGAN	00083001630	RITALIN-SR
24208031510	POLYMYXIN B SUL/TRIMETHOPRIM	00054465029	ROXICET
58177000108	POTASSIUM CHLORIDE	00054465025	ROXICET
58177000104	POTASSIUM CHLORIDE	38245010907	R-TANNATE
59911589902	POTASSIUM CHLORIDE	00173046400	SEREVENT
59911589901	POTASSIUM CHLORIDE	00087003231	SERZONE
00047078430	POTASSIUM CHLORIDE	00087003931	SERZONE
58177000108	POTASSIUM CHLORIDE	00056052168	SINEMET CR
00003517805	PRAVACHOL	08290326895	SINGLE USE SWAB
00364021802	PREDNISONE	00536454810	SODIUM FLUORIDE
00364044201	PREDNISONE	24208067004	SULFACETAMIDE SODIUM
00364046105	PREDNISONE	00093610016	SULFAMETHOXAZOLE/TRIMETHOPRIM
00451150008	PRELONE	00093008905	SULFAMETHOXAZOLE/TRIMETHOPRIM
00046086781	PREMARIN	50111034202	SULFAMETHOXAZOLE/TRIMETHOPRIM
00046086791	PREMARIN	00364206905	SULFAMETHOXAZOLE/TRIMETHOPRIM
00046086681	PREMARIN	00093056216	SULFAMETHOXAZOLE/TRIMETHOPRIM
00046086691	PREMARIN	00332213213	SULFAMETHOXAZOLE/TRIMETHOPRIM
00046086481	PREMARIN	00093610016	SULFAMETHOXAZOLE/TRIMETHOPRIM
00046087502	PREMPRO	00472128516	SULFATRIM
59911580401	PRENATAL 1+1	00472128516	SULFATRIM
38245011110	PRENATAL PLUS	00005389840	SUPRAX
59911580301	PRENATAL PLUS	00048104003	SYNTHROID
00300304613	PREVACID	00048105003	SYNTHROID
61113074231	PRIOSEC	00048107603	SYNTHROID
61113074231	PRIOSEC	00048113003	SYNTHROID
61113074282	PRIOSEC	00048107005	SYNTHROID
00069265066	PROCARDIA XL	00048109003	SYNTHROID
00069266066	PROCARDIA XL	00083002730	TEGRETOL
59911587201	PROMETHAZINE HCL	00062535001	TERAZOL 7
59911581903	PROMETHAZINE W/CODEINE	24208029005	TOBRAMYCIN SULFATE
00472162716	PROMETHAZINE W/CODEINE	50111043401	TRAZODONE HCL
00472162728	PROMETHAZINE W/CODEINE	00093063701	TRAZODONE HCL
59911581903	PROMETHAZINE W/CODEINE	50111043301	TRAZODONE HCL
00093059005	PROPACET	00781112301	TRIAMTERENE W/HCTZ
00378015505	PROPOXYPHENE NAPSYLATE W/APAP	00781205601	TRIAMTERENE W/HCTZ
00093089005	PROPOXYPHENE NAPSYLATE W/APAP	00003010960	TRIMOX
00781172005	PROPOXYPHENE NAPSYLATE W/APAP	00003010160	TRIMOX
00228208550	PROPOXYPHENE NAPSYLATE W/APAP	59772003602	TRIMOX
00904770240	PROPOXYPHENE NAPSYLATE W/APAP	00003010920	TRIMOX
00781172001	PROPOXYPHENE NAPSYLATE W/APAP	00003173745	TRIMOX 125
50458043010	PROPULSID	00003173745	TRIMOX 125
50458044010	PROPULSID	00003173730	TRIMOX 125
50458045045	PROPULSID	00003173740	TRIMOX 125
00085043102	PROVENTIL	00003173745	TRIMOX 125
00085061402	PROVENTIL	00003173845	TRIMOX 250
00085113201	PROVENTIL HFA	00003173845	TRIMOX 250
00777310502	PROZAC	00003173845	TRIMOX 250
00777310502	PROZAC	00003173845	TRIMOX 250
00777310402	PROZAC	00003173840	TRIMOX 250
00777310530	PROZAC	00003173830	TRIMOX 250
00172300160	QUININE SULFATE	51285071757	TRIOTANN
55953054435	RANITIDINE HCL	00045065960	ULTRAM
00781188360	RANITIDINE HCL	00045065960	ULTRAM
55953054440	RANITIDINE HCL	00085104901	VANCENASE AQ
55953054470	RANITIDINE HCL	00006071268	VASOTEC

WYOMING PHARMACIES

EXHIBIT 21

DRUGS INCLUDED IN THE ESTIMATED ACQUISITION COST STUDY

<u>NDC Number</u>	<u>Drug Description</u>	<u>NDC Number</u>	<u>Drug Description</u>
00006071368	VASOTEC		
00006001468	VASOTEC		
00006071468	VASOTEC		
00003011675	VEETIDS 500		
00173017755	WELLBUTRIN		
00173013555	WELLBUTRIN SR		
00173094755	WELLBUTRIN SR		
00013830304	XALATAN		
00173034442	ZANTAC		
00173042800	ZANTAC		
00173038354	ZANTAC		
00069306075	ZITHROMAX		
00069312019	ZITHROMAX		
00069311019	ZITHROMAX		
00069306030	ZITHROMAX		
00069305034	ZITHROMAX		
00006074061	ZOCOR		
00049491066	ZOLOFT		
00049490066	ZOLOFT		
00002411760	ZYPREXA		
00002411560	ZYPREXA		
00069551066	ZYRTEC		

EXHIBIT 22**WYOMING PHARMACIES****Totals and Means for Non-MAC Drugs, Acquisition Cost as a Percent of AWP**

Provider/ Vendor	Total Direct	Total Wholesale	Mean of All Drugs Purchased Wholesale	Mean of Direct Purchase Drugs	Mean of All Drugs
490	0	527	81.54	N/A	81.54
527	0	239	82.34	N/A	82.34
860	0	275	83.78	N/A	83.78
1239	0	127	83.19	N/A	83.19
2426	0	165	82.40	N/A	82.40
3858	5	265	84.23	81.33	84.18
4108	0	20	78.67	N/A	78.67
4202	0	226	83.54	N/A	83.54
4276	0	193	81.49	N/A	81.49
4895	0	157	82.75	N/A	82.75
5756	0	463	83.75	N/A	83.75
6037	0	119	82.53	N/A	82.53
6531	0	157	84.40	N/A	84.40
8891	0	281	81.96	N/A	81.96
Total	14	3214			
Average			82.61	81.33	82.61

EXHIBIT 23

WYOMING PHARMACIES

Totals and Means for MAC Drugs, Acquisition Cost as a Percent of AWP

Provider/ Vendor	Total Direct	Total Wholesale	Mean of All Drugs Purchased Wholesale	Mean of Direct Purchase Drugs	Mean of All Drugs
490	0	121	47.80	N/A	47.80
527	11	44	53.04	43.12	51.06
860	0	85	85.42	N/A	85.42
1239	0	44	66.39	N/A	66.39
2426	0	13	68.83	N/A	68.83
3858	0	43	65.33	N/A	65.33
4108	0	5	61.72	N/A	61.72
4202	0	56	65.12	N/A	65.12
4276	0	42	55.60	N/A	55.60
4895	0	37	83.72	N/A	83.72
5756	0	146	85.43	N/A	85.43
6037	0	20	81.24	N/A	81.24
6531	0	35	65.42	N/A	65.42
8891	0	38	90.66	N/A	90.66
Total	14	729			
Average			69.69	43.12	69.55

EXHIBIT 24

UNIT DOSE QUESTIONNAIRE

1. Please report the number of long term care facilities for which you provide dispensing services _____.
2. Please report the number of long-term care facilities for which you provide consultation services _____.
3. Please estimate the number of long-term care patients to whom you dispense medications _____. If you dispense non-unit dose prescriptions for these patients, please estimate the number of non-unit dose prescriptions for these patients _____.
4. If you provide unit dose prescriptions to anyone other than long-term care facility patients, please identify to whom _____.